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DENMARK

Social Democrats Sharpen Opposition Role

Paper Questions Socialists' 'Responsibility'

36130046 Copenhagen BERLINGSKE TIDENDE
in Danish 23 Mar 88 p 12

[Editorial: "Social Democratic Responsibility?"]

[Text] In the almost half year that has elapsed since he took over as chairman of the Social Democratic Party, Svend Auken has been extremely busy telling the public what is not SDP policy—in addition to criticizing the foreign minister incessantly and calling for an early election. For example, closing certain parts of Christiana, as Anker Jorgensen advocated suddenly, is not party policy. Nor is it the party's view that immigrants and refugees should adapt to Danish culture, as Ritt Bjerregaard has more than suggested. And it is definitely not Social Democratic policy to send Danish soldiers to Mozambique to protect development aid projects—a proposal that came from Mogens Lykketoft.

Against this background we are waiting eagerly to see if it is now Social Democratic policy that "most of us will be unable to consume more for a period of 6-8 years," as party deputy chairman Poul Nyrup Rasmussen put it on Monday and that "in the years ahead there will be tighter limits on public services that benefit individual citizens," as Mogens Lykketoft said that same afternoon. If—and we must underline the "if"—the Social Democrats made such a pronounced shift in their economic policy in the direction of greater responsibility in the areas of both domestic and spending policy when they chose a new chairman in October, then of course we welcome it heartily. Better late than never. But only time will tell if that is the party's policy. What do all the ordinary Social Democratic members of Folketing who keep promising more public appropriations for families with children, students, single mothers, the unemployed, early retirees and pension recipients have to say? What is the real Social Democratic policy? And what, for example, do the many members of the Semiskilled Workers Union [SiD] who oppose three-party discussions of pension reform because they would rather have a real increase in cash wages in the midterm negotiations next spring, have to say? Three-party discussions and the upcoming negotiations on the 1989 budget will reveal whether there is any basis for the alleged responsibility of the Social Democrats. And what it might cost.

The last point may be the most important one. It can be clearly read between the lines of the apparently responsible statements of many Social Democrats that ordinary Danes could pay a high price for prospective Social Democratic responsibility. Take the article by influential executive committee member Bent Greve in the latest issue of NY POLITIK as an example. Among other things Bent Greve asks if it is still the most vital aspect of democratizing job influence and ownership rights to

have society take over the means of production, as it says in the party's 1977 working program. "Shouldn't we debate what pension fund socialism will look like instead?" he adds.

This may be the price for Social Democratic responsibility. Pension fund socialism. An answer is definitely needed!

Disagreements in Foreign Policy

36130046 Copenhagen BERLINGSKE TIDENDE
in Danish 25 Mar 88 p 6

[Article by Carl Otto Brix: "New Storm Against Ellemann"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] The Social Democrats are making conciliatory moves in an effort to induce the Radical Liberals to support criticism of the foreign minister's views on the division of roles between the government and Folketing in the area of foreign policy.

It was not with the idea of ousting Foreign Minister Uffe Ellemann-Jensen (Liberal) that the Social Democrats presented a draft statement on work in the Folketing Security Policy Committee.

Ritt Bjerregaard, chairman of the Social Democratic Folketing group, made that point to BERLINGSKE TIDENDE after Wednesday's dramatic debate between party chairman Svend Auken and Prime Minister Poul Schluter (Conservative) about what was said at the committee meeting concerning the roles of the government and Folketing with respect to foreign policy issues.

Disagreement Dates to 1982

The background for the whole discussion is the difference between the views of the foreign minister and the Social Democrats concerning what a government can and cannot do in the way of making foreign policy decisions, a point on which they have disagreed ever since the government was formed in 1982.

From the Social Democratic point of view, this came to a head when Ellemann-Jensen wrote the following in a BERLINGSKE TIDENDE article on 27 February 1988: "Under the constitution it is the government that plans and carries out foreign policy, while Folketing later makes a political judgment as to whether the government has given sufficient consideration to Folketing's views."

Social Democrats Disagree

The Social Democrats totally disagree with this division of functions and brought the matter up in a meeting of the Foreign Policy Board, where the prime minister made a statement. As discussions by the board are secret

and the Social Democrats wanted the prime minister's words to go on record, the question was raised during Wednesday's meeting of the Security Policy Committee.

Had Statement Ready

When the prime minister confirmed his earlier statement, according to the Social Democrats—saying that the government “will loyally respect decisions made by the Folketing majority”—the Social Democrats pulled a statement out of their pocket. It said among other things that the “committee regrets that it is necessary to point out to the foreign minister that a parliamentary decision is binding on the government.”

No foreign minister could live with a statement like that.

After Poul Schluter became aware that the Social Democrats had prepared a proposed statement, he issued a statement of his own in which he stressed that his primary view is that according to Paragraph 19 of the Constitution the government is responsible for the pursuit of Denmark's foreign policy. “The fact that any government would prefer to act in accordance with the views of the Folketing majority is another matter. But it is not constitutionally obligated to do so,” the prime minister said in his statement.

Radical Liberals Will Not Go Along

The Radical Liberals will not go along with a personal attack based on a number of statements made by the foreign minister. “Political actions are the important thing,” the Radicals say.

But the party is very dissatisfied with the fact that the foreign minister pays little heed to the role the Foreign Policy Board is supposed to play under the constitution. Paragraph 19 states that the government should consult with the board before making any major foreign policy decision.

“If the other parties think our proposed statement is too personal in its orientation, we are ready to change it,” said Ritt Bjerregaard. “The parties will now have an opportunity to discuss its content and then take a stand at the next meeting of the Security Policy Committee. That will take place in early April.”

Paper Attacks NATO Stance

36130046 Copenhagen BERLINGSKE TIDENDE
in Danish 25 Mar 88 p 14

[Editorial: “Auken's Atoms”]

[Text] Of course there is no doubt that the prime minister is the one who drafts government policy and, therefore, there is no doubt about what was approved when the NATO countries held a top-level meeting in Brussels at the beginning of the month.

After a delay of several weeks the Social Democrats have now begun to discuss the decisions from the NATO meeting, at which it was concluded among other things that there was a need for a technical modernization of the alliance's short-range nuclear weapons. This was a natural decision as long as this type of weapon exists, which will presumably be the case for the foreseeable future, even though the removal of European medium-range missiles may increase hope for more extensive nuclear arms cuts. Both Reagan and Thatcher would have liked NATO to advocate a real modernization of the remaining short-range weapons, but German, French and Danish views led to a more moderate statement.

Even so, Svend Auken scented fresh blood and drilled away in the hope of seeing it flow. The Social Democrats are now interpreting the foreign minister's statements in a manner that suggests that the minister supports a NATO policy that is in conflict with the views of the Folketing majority. Now an incredible number of resolutions have been passed and if they were all promoted, no one outside this country would be able to comprehend the government's policy at all. It is the government's responsibility to pursue foreign policy. If others have a different view, they should take concrete action.

06578

ITALY

De Mita's Lengthy List of Supporters, Advisers

35280123a Rome L'ESPRESSO in Italian
27 Mar 88 pp 9-11

[Article by Francesco De Vita and Guido Quaranta]

[Text] Until a few weeks ago he was saying, to the incredulity of everyone, that he would never serve as prime minister. Prompting further incredulity, he added that as soon as possible he would also give up the secretaryship of the party. To listen to him, his greatest aspiration was to go into the reserves, devote himself to studying, and assume the role of main adviser of a finally renovated DC. However, to the DC secretary an appointment to the government is always impending, whether he tries to reject it, as Ciriaco De Mita has done, or pursues it with determination, as all his predecessors did. As of Wednesday, 16 March, the difficult task of trying to assemble a government less precarious than that of Giovanni Goria falls precisely on him.

Whether he likes it or not, he has to commit himself fully; failure would not leave things as they were before: his charisma would emerge severely damaged, and the chair of secretary, the one he is most attached to, would suddenly be contested. What forces can he rely on to accomplish this, and, once installed in the Palazzo Chigi, to overcome the obstacles that government partners—the Socialists primarily—and party friends will put in his way?

It should be said at the outset that 6 years at the head of the DC have not passed fruitlessly. The renewal of the party has been less visible than the many sermons on this cause would have led one to hope. In compensation, there has been a large-scale installation of trusted people in the important positions, in Piazza del Gesu and elsewhere.

Let us begin with Piazza del Gesu. Here, his most trusted colleague is Riccardo Misasi, a Cosenza deputy with whom he has been friends since university days: stocky, tough, and a man of few words, like a Chicago boss of the 1930's; he is head of his policy secretariat. He has always been entrusted with the confidential matters, from appointments to banks and public corporations to informal ties with the parties, both in the government and the opposition. With his qualities of dedication and efficiency, he would now be the most likely person to assume the position of under secretary to the prime minister. However, De Mita is not thinking only about the government. He knows that his continuance in Palazzo Chigi is guaranteed only if he maintains control of the party, and no one is more useful to this end than Misasi.

The other colleague whom De Mita trusts almost like himself is Clemente Mastella. Furthermore, in the role he plays as spokesman of the secretariat, he is the exact opposite of Misasi. He is as talkative as the other is reserved, as mundane as the other is discreet, as mercurial as the other is slow to move. Without De Mita in the part he would not be of great service; however, alongside the prime minister he feels himself cut out for a position of under secretary for information.

The group of political, economic and institutional advisers has been bolstered. It includes economist Beniamino Andreatta, public manager Fabiano Fabiani, constitutionalist Roberto Ruffilli, and political experts Giovanni Di Capua and Ruggero Orfei. As long as De Mita was only the DC secretary, their role was one of advisers, suggestors, and preparers of congress reports and the more substantial speeches of the DC leader. However, a long time before the task was assigned to De Mita they had already been working to prepare for him the basic materials with which to conduct the negotiation on formation of the government.

Outside the capital of the Christian Democratic empire, in the provinces, De Mita has his proconsuls. In Milan, he can rely on Bruno Tabacci, chairman of the regional council; in Genoa, on Filippo Peschiera; in Naples, on Ortensio Zecchino; in Palermo, on Sergio Mattarella. They are all young colonels who, with the help of the secretary, succeeded in ousting the viceroys of an era, but whose power could fall in fragments if the staff of command passed to other hands in Piazza del Gesu.

Behind De Mita's colors is thus arrayed a phalanx of public and private managers. Among them we find Romano Prodi (IRI), Gianni Zandano (San Paolo Institute in Turin), Piero Barucci (Monte dei Paschi in

Siena), Roberto Mazzotta (Cariplo), and Lodovico Ligato (State Railways). However, the most trusted friends are Calisto Tanzi and Biagio Agnes. The former owns Parmalat and the EuroTV network, the latter is the all-powerful director of RAI, of Avellino origin like De Mita.

Around the serving prime minister a choir is assembled, called Ciriaco's great singers. First tenor is certainly Pasquale Nonno, director of the Naples *IL MATTINO*. He is the singer with longest tenure: he is still remembered for an article, when he was at *L'EUROPEO*, on De Mita titled "Call Me Alcide." In the role of baritone, it is Nuccio Fava, director of the TGL: when he speaks of De Mita his voice vibrates with emotion. In the part of second bass, Pierantonio Graziani, codirector of *IL POPOLO*, excels.

However, even outside this choir the incumbent enjoys good press. The director of *LA REPUBBLICA*, Eugenio Scalfari, aside from brief intermissions, has always regarded him with great benevolence. The director of *PANORAMA*, Claudio Rinaldi has always preferred him to Bettino Craxi. And even the pen of some journalist of *IL MANIFESTO* has sometimes been seized with unexpected enchantment.

On the other hand, De Mita's Achilles heel is the DC parliamentary group in the Chamber and the Senate. In Palazzo Madama, the incumbent has a very good supporter, group leader Nicola Mancino. However, out of 127 senators his team will number only 15 purebloods, such as former minister Salverino De Vito of Avellino; the former Lombardia regional secretary, Giuseppe Guzzetti; and the organizational secretary Gianni Fontana.

The situation is no better at Montecitorio. The group leader, Mino Martinazzoli is more independent than his Senate colleague Mancino. Out of 234 DC deputies, in fact, there are no more than some 40 De Mita supporters. Among members of this platoon are old conscripts such as Giuseppe Gargani and Angelo Sanza, and some recruits such as former minister Giuseppe Zamberletti.

If substantial tensions emerge within the party, the most unpleasant surprises for De Mita could thus come from his own parliamentary groups.

9920

Political Parties Report Large Deficits
35280123b Rome *LA REPUBBLICA* in Italian
1 Apr 88 p 4

[Article by Loredana Bartoletti]

[Text] The Communist Party beats everyone: with a deficit of almost 30 billion (including current and previous), it is awarded the palm for the party with the reddest

Accounts in Red with New Expenditures and Old Deficits

Figures in billions. Public financing heading includes both annual subsidies to party activities and reimbursements for election expenses.

	<u>Public Financing</u>	<u>Election Expenses</u>	<u>Deficit 1987</u>	<u>Total Deficit</u>
DC	33.8	21	1	18.5
PCI	28.5	9.3	4.3	29.6
PSI	13.6	6.8	4.9	19.7
PSDI	5.5	1.8	1.7	9
PRI	5	4.1	1.4	2.9
MSI	6.2	3.6	0.2	1
PLI	4.7	3.3	0.1	4.7
PR	4.1	5	1.1	1.8
DP	2.8	0.8	0.8	2.2
Greens	1	0.1	+0.1	---

balance-sheet. The Socialists follow, with a deficit of about 20 billion, the DC third with 18.5 billion, and so on, PSDI (9), PLI (4.7), PRI (2.9), DP (2.2), Radicals (1.8), and MSI (1 billion).

Made public during the past few days (as required by the law on state financing to political organizations), the balance-sheets of the parties reveal a series of very difficult economic situations: budget implementation ended up in the red for everyone, with the exception of the Greens. However, to complicate the matter, there are also the deficits incurred in previous years, which bring the total deficit to the record figures cited above.

For the 1987 budget year alone, the worst balance-sheet was the PSI's, which ended with a deficit of 4.89 billion, followed closely by the Communists (4.3), and further back the Social Democrats (1.7) and then the PRI (1.4), PR (1.1), and DC (1). Less substantial were the deficits of the DP (797 million), PLI (124 million), and MSI (18 million), while the Greens were in the black by 134 million.

"The major expenditures that led to this not pleasing result were caused exclusively by the election campaigns that had to be undertaken from 1983 to date." Giuseppe Ruspantini, the PRI national administrator, pointed to the frequent election occasions as the cause for the negative result in the Republican balance-sheet, which closed in deficit for the first time since 1979. However, the election campaigns of 1987—the June political events and the November referenda—were a major expenditure for all the parties. These were very expensive for the DC, which spent 21 billion, but also very costly for the others: the Communists spent more than 9 billion, the PSI 6.8, PR 5, PRI 4, MSI 3.6, PLI 3.3, and PSDI 1.8, while the DP committed 800 million to the election campaigns and the Greens only 128.

These situations of semi-bankruptcy of the parties again bring to the fore the issue of increasing public financing. The administrative secretaries of the various political organizations have already discussed this at length and an agreement seems to have been already outlined: to double the figure, bringing the present contribution of 83 billion per year up to 150 billion. The Socialists support the request: "The need to update the law on public financing of the parties is a fact that cannot be ignored," wrote the PSI administrative secretary, Vincenzo Balzamo, in the report accompanying the 1987 budget, "if only in relation to the development of society and thus to the new political problems (and consequently of use of the instruments of mass communication) that this development involves."

In addition to updating the contribution, the Communists are also asking for a reform of the law "that will assure the publicizing, the openness, of all sources of financing and adequate structures of public control." To this end, the PCI proposes that the party budgets be changed from cash budgets (that is, covering only actual receipts and expenditures) to economic-financial and asset budgets (taking into account also their fixed assets and shareholdings), and that this apply also to the budgets of peripheral organizations.

9920

NORWAY

Party Secretary Jagland, Newspaper on Labor's Problems

Jagland: Election Defeat Danger

36390045 Oslo AFTENPOSTEN in Norwegian
10 Mar 88 p 3

[Article by Einar Solvoll: "Jagland Fears Election"]

[Text] "The Labor Party is in a difficult situation, and the government suffers from obvious wear and tear. The situation is serious, and if we don't manage to reverse the

trend, the danger exists that the Conservative Party and the Progress Party will win the election and together gain a majority in the Storting next year," says Labor Party secretary Thorbjorn Jagland in a conversation with AFTENPOSTEN.

Thorbjorn Jagland is not particularly happy that former undersecretary Kjell Kristensen, the "right hand" of both Trygve Bratteli and Odvar Nordli from 1973 to 1981, strongly criticized the party leadership yesterday in ARBEIDERBLADET. "It looks as if the handwriting is on the wall, Thorbjorn. Don't you see it?" wrote Kjell Kristensen. He thinks that nowadays neither cabinet ministers in the government nor party leaders listen enough to the "grass roots" and are mostly concerned with surging ahead, each in his own boat, to avoid the hazardous reefs both astern and to starboard. And Kristensen is angry that Per Karlsen, his secretary specialist in political affairs who has criticized party leaders, was called on the carpet by Jagland.

Party Morale

"I think Kjell Kristensen would have done exactly the same thing," says party secretary Jagland, who also comments laconically:

"I have always perceived Kjell Kristensen as a man who emphasized party morale and discipline, both an undersecretary and as leader of the Labor Party secretariat in the Storting for many years before that. I agree completely with the policy he has pursued.

"We must remember that Kjell Kristensen was also undersecretary for a minority government, but it could lean on a socialist majority. We run the government nowadays with a nonsocialist majority against us, and that makes the situation even more difficult," says Jagland.

"But is Kristensen's criticism justified?"

"I believe that ordinary representatives should be allowed to say what they have on their minds, but greater demands must be placed on the party's representatives and employees. Kristensen thinks that today's cabinet ministers are too concerned with their own public relations. That was probably a bigger problem in the previous Labor Party government. I think instead that our current cabinet ministers could participate in discussions and be in the public eye even more," says Jagland.

"Have you as party secretary noticed that there is wear and tear in the government and in the Labor Party?"

Wear and Tear Increase

"It's clear that every minority government will be vulnerable to wear and tear. But this wear and tear becomes even greater if it builds up under the wear and tear in the government's own party," says Jagland.

"We're going through a very difficult period, and the government is being attacked by both the ultraleft and ultraright wings, which exploit the situation society is in. So it's necessary to an even greater degree for our key representatives to show discipline," says Jagland. He thinks the Labor Party must now go through a difficult period, but he has the impression that party representatives and members across the country are starting to realize how serious the situation is and will demand greater inner discipline.

"Things can't continue this way. Otherwise we won't manage either to run the country or to win the election next year. I think the labor movement is also beginning to see that. Next year it's a question of who'll have power in the country after 1989, and we mustn't behave in such a way that the Conservative and Progress parties alone manage to gain a majority. I think there's a great danger of that happening if we don't succeed in finishing the job we undertook in the government," says Labor Party secretary Thorbjorn Jagland.

Continued Decline in Polls

36390045 Oslo AFTENPOSTEN in Norwegian
18 Mar 88 p 2

[Editorial: "Crisis for Labor Party"]

[Text] There is no simple or isolated reason for the steadily sinking support which the Labor Party has had to note in recent months. In all likelihood, the opinion-poll trend has a very complex background. But it is clear enough that the Labor Party is on a collision course with many of its traditional voters. The party is experiencing a crisis of confidence in which reactions to the income settlement—and the government's contribution to it—have become an additional strain.

Yet in the long run it may turn out that the government's very attempt to (eventually) bring wages and expenditures under control will have a positive effect on public opinion. The precondition is that the moderate wage settlement also marks the prelude to a new and more realistic economic policy by the Labor Party. The settlement has given the authorities some breathing room which should be used effectively and carefully so that we will be able to manage our basic economic problems better than we can today.

According to a Scan-Facts opinion poll for March, the Labor Party has regressed by 5.5 percent since January and now has the support of 33 percent. This means that the government party has hit rock bottom. A notable feature of the currently turbulent situation is that significant numbers of Labor Party voters switch directly to the Progress Party without first sampling other parties. Under given circumstances, this can make for a very dramatic outlook.

With the support of 14.5 percent, Carl I. Hagen's party is bigger than the Central Party and the Christian People's Party together. Among political observers, naturally, no one doubts that to all intents and purposes this must be ascribed to a somewhat ruthless exploitation of people's dissatisfaction with the ways things now stand. And in a heated debate it is Hagen who gets stung—outside the Storting. For as he himself says: "Every time I get butchered by an assembled Storting, sympathy is on my side. People don't like my being ganged up on..."

So simple it may thus appear to be, and such is also the political reality for an increasing number of voters. Unless the political scene is marked by problems utterly different from those of today, there is reason to believe that the Progress Party will be the big winner in the Storting election next year. This must be a puzzle, above all, to the previous nonsocialist parties of cooperation: the Conservative Party, the Center Party, and the Christian People's Party.

Unless they can prove, or render likely, that together they represent an alternative capable of governing, we may experience an all-time protest election when the time comes. And paradoxically enough this could also affect the Conservative Party, the party which has actually done its utmost to get the country out of the current mess.

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SWEDEN

SIFO, IMU Polling Methods, Results Discussed
36500074b Stockholm DAGENS NYHETER in Swedish
1 Mar 88 p 15

[Commentary by Sven Svensson]

[Text] Sudden changes in party sympathies are unusual in Sweden. Unprecedented dramatic events such as the murder of Olof Palme are needed for any quick and, above all, lasting changes in the party pattern.

There is good reason, therefore, to take a dubious attitude towards the electoral barometer which month after month reports big changes in party sympathies in different directions.

Small deviations in the same direction month after month are what should be considered significant. The protracted decline of the Liberal Party during Ola Ullsten's time is such an example; the Center Party's rise and rapid fall under Thorbjorn Falldin is another. The two last polls of IMU and SIFO reveal greater differences than at anytime previously, and many people are confused.

IMU's poll in February reveals only small changes in comparison with the investigation from December last year.

SIFO, on the other hand, indicates an upswing for the Social Democrats of 4.4 percent to a record high of 48.6 percent, which is equivalent to the increase after Palme's murder. No similar event has occurred this year. The increase after the Palme murder lasted about half a year.

It is incumbent upon SIFO, therefore, to show that a strong shift in voter opinion has taken place to the benefit of the Social Democrats. IMU's figure is basically unchanged.

Nothing in the political situation supports the idea that there has been a serious shift in voter opinion in favor of the Social Democrats. A small part of the Social Democratic increase can nevertheless result from VPK defections after all its internal troubles.

The opinion institutes usually succeed in interpreting quite well the power relationship between the two political blocs, while they are so-so with regard to the power relationships among the non-labor parties.

A glance at the results of the investigations regarding the non-labor parties reveals that a strong increase one month is often followed by a corresponding decrease the following month.

In December of last year, SIFO reported 20 percent for the Moderates, a three percentage point decrease to 17 percent in January, and 17.8 percent in February.

With regard to the Liberal Party, 17.2 percent was reported in December, and an increase to 18.6 percent in January, followed by a decrease to 18 percent in February.

For its part, IMU reported 15.5 percent for the Liberal Party in October, 14 percent in November and, a return to 15.5 percent in February.

The conclusion is that the SIFO December figure of 20 percent for the Moderates was too high and that the Liberal Party's January figure was also too high.

It is difficult for all those who express opinions on public opinion polls to remember that polls measure changes in party sympathies and not absolute vote totals.

In order to measure changes it is necessary that the method of investigation remain unchanged. IMU has not changed its method for a long time, while SIFO, on the other hand has done so several times since the 1985 election.

The most important change has been that SIFO, in conjunction with a change of ownership, has introduced in connection with home visits a ballot for the Environmental Party, and up to 6 percent has been noted.

Between four and six percentage points for the Environmental Party obviously has an impact on the balance of power among the other parties, since the number of party sympathizers will total 100 percent.

SIFO has also chosen to mix home visits with telephone interviews but has recently decided to utilize only 40 percent of the telephone interviews in the total result. On the basis of experience it has been noted that the fall-off is greater in telephone interviews than in home visits.

The effects of the so-called weighings are more difficult to judge. IMU and SIFO at the moment utilize different methods.

Weighing means that an polling institute not only asks what is the "best party" but also how the voter voted in the last election. If the selection of questions is skewed, certain adjustments can be made subsequents in the poll results.

The reason that SIFO gave up weighing in the fall of 1985 was that so many voters had "forgotten" which party they had voted for or, engaging in wishful thinking after the election, jumped on the Liberal Party's bandwagon.

If SIFO had used weighing in its February figure, the increase of the Social Democrats would have been lower than the reported 4.4 percent, which is an important fact but a difficult one to interpret.

On the other hand, IMU's figures before weighing involve figures which are higher for the Liberal Party and lower for the Moderates than those reported in the polls. According to IMU's weighed figures, the Liberal Party would have been clearly ahead of the Moderates.

Two other differences in the results of investigations, which involve several investigations and, therefore, take on greater significance, concern the figures of the Environmental Party and the number of undecided voters.

IMU has about twice as many Environmental Party sympathizers as SIFO (9 and 4.9 percent respectively), but IMU, on the other hand, has only 4 percent undecided compared with 9 percent in SIFO.

The higher figure for undecided voters in SIFO can possibly be partially explained by the fact that interviews were conducted by telephone, but it is in any case so large that it involves both one and two environmental parties. Additionally, it can be supposed that a number of undecided voters support the Environmental Party in IMU but not in SIFO. Many people interpret the results of voter preference polls politically and see only what they want to see.

In January, when SIFO noted a large decline for the Moderates while the Liberal Party came to the front as the largest non-labor party, the newspaper ARBETET (Social Democrat) interpreted it as a rejection of the Moderates foreign policy position.

Its leader, Carl Bildt, had rebelled during the month of the polling against the mid-Baltic Sea demarcation line, and had quarreled with the government over the issues of U-boats and Swedish prisoners in Angola. In the last SIFO poll, the order on the non-labor side is reversed.

After the latest Social Democratic advance in SIFO, ARBETET likewise stated that the non-labor opposition found itself in a serious confidence crisis and implied that a Social Democratic victory in the election was assured.

The next SIFO figure will in all certainty show a decline for the Social Democrats. No other opinion polls have shown such a sudden shift in party support. What will ARBETET say then?

6893/08309

Newspaper Examines 'Collapse' in Communist Left Party

36500074a Stockholm DAGENS NYHETER in Swedish
1 Mar 88 p 2

[DAGENS NYHETER Editorial]

[Text] How will the political scene in Sweden be changed if the Communist Left Party is eliminated in the parliament? Several consecutive investigations by the Swedish Institute for Public Opinion (Sifo) and IMU have indicated that less than 4 percent of the people support the Communist Party Left. Sifo's Sunday report notes 2.8 percent, while IMU 3.5 percent.

Other parties have had crises and been able to recover. The serious aspect for the Communist Left Party is that the situation has gone on for several years without the decision-making bodies being able to find any remedy. Discord, discontent and a sense of futility are widespread; and it is now too late to change the picture of the party in any radical manner before the September election.

A small party is more dependent upon its leaders than a big one. Since Lars Werner has generally attained good results in public opinion confidence-polls and is regarded as an asset in the electoral process, it was a surprise to most people that he is controversial in the parliamentary delegation and in inner party circles. There has always been ideological antagonism among the Communists, but the displeasure with Werner is primarily political. Simply stated, personal confidence in the party leader is lacking among those who observe him at close range and work with him. Whatever the reason, he is consequently incapable of leading and holding the

party together. In this situation different views regarding the gasoline tax and quarrels with the journalists on ND become public matters dominating the picture of the party.

A crisis with regard to party leadership cannot be concealed, and consequently Werner is no trump card in the election campaign. He cannot revitalize Communist policies after 13 years as party chairman.

The party's greatest asset in the election is instead the four percent barrier. An electoral investigation in 1982 revealed that 35 percent of those who voted with the VPK at that time regarded the Social Democrats as the best party. The VPK was able to remain in parliament by tactics voting.

Nevertheless, no one knows where the turning point lies. If the VPK falls below a certain level in the public opinion polls, the ordinary socialist voter will desert the VPK in order not to throw away their votes, particularly if the Social Democrats by themselves have a chance of outweighing the non-labor parties.

The youngest voters in Sweden are not becoming Communists. Those who are sympathetic towards the VPK are most often between the ages of 25 and 40, that is, those people who formed their basic impression during the latter part of the sixties and the seventies, the radical heyday.

There has always been a complicated connection between the VPK and "the left" as an expression of public opinion. During C.H. Hermansson's tenure the party sought in the sixties to gather together the currents which formed the basis for the left-socialist parties in Denmark and Norway. The Vietnam movement and the student left seemed to give the VPK a unique opportunity, but the results of the 1968 election were the worst in the whole postwar period. The party's break with Marxism and Leninism was not sufficiently radical. As a result the Soviet invasion of Czechoslovakia in August 1968 was an event from which the party had difficulty in recovering.

Little by little the party has lost its influence among the trade unions and other interest organizations. Since the 1969-70 strike in the iron mines and the forestry workers' strike in 1975, we have not had an example of the Communists taking the lead in any large collective actions.

During the years of non-labor governments the Social Democrats have been able to capture the discontent with tightened belts and represent a radical alternative. The employee-funds became a socialist symbol. It was a difficult situation for the VPK, but why was the party not able after the 1982 election to assume after the Social Democrats the available position as the party of leftist ideas? The Social Democratic government has pursued, out of necessity and conviction, a definite capitalistic

policy in important fields. The VPK has not been able to capitalize on this in any interesting manner. The opposition has come from the Federation of Trade Unions (LO), not from the Communists.

Perhaps those who listened to Lars Werner's speeches in the general political debate see what the problem is. There is no wide perspective, no weighty criticism, no unexpected angles, but, on the contrary, an array of populist leftist exaggerations (such as the omitted increase in real wages this year is an 'economic catastrophe' for the low paid wage earners). The VPK is no longer a pronounced class party. Its supporters cannot keep up their spirit on Lars Werner's ideological starvation ration.

6893/08309

Welfare State Direction Emerging as Early Campaign Issue

SDP Resisting Services Privatization

36500082 Stockholm DAGENS NYHETER in Swedish
14 Mar 88 p 2

[Editorial: "Perception of Sweden"]

[Text] The Social Democrats are seeking to win the election on the basis of being the best administrators of Sweden. They want a statusquo. Yet it must be handled as effectively as only a Feldt in a one-party government is capable of. Beware of thoughts of social changes and administrative sloth in the minds of the non-Socialists! This is the message to the voters. At the present time, the government party is carrying out a poster campaign against proposals for changes in the official monopolies. Later, as night follows day, there will probably be a campaign based on the theme "remember how ineffective the non-Socialists were when they had the power."

Such an administrative message requires two specific conditions in order to succeed. The first is that the opposition must have low credibility in its ability to govern. The other is that most people perceive the current state of affairs as good. Maybe the Social Democrats are guessing right on the first one. But how about the second one?

Basically it is a question of how Sweden is perceived. Only a party that believes that it is associated in the minds of the voters with the notion that Sweden is an exceptionally wealthy and secure welfare state, can enter an election campaign as devoid of a platform as the Social Democrats before the 1988 election. This perception of Sweden as an exception in matters of material and social welfare for the broad masses has been the dominant one. It has also caused two kinds of attitudes towards our neighbors among the democracies: one preaching (others should do as we do) and one defensive (we have to protect ourselves against the judgment of Europe outside of the Nordic countries).

Following a new interest in Europe, facts are now emerging which cannot fail to influence the self-reflection of the Swedes. The Conservatives produced a few of them in a pamphlet the other day. A scientist and leftist such as Goran Therborn did basically the same thing last year in his book "The Peninsula of Bliss."

Sweden no longer differs from other industrial countries by being particularly wealthy. Since the 1970's, Norway, Denmark and Japan (!) have surpassed us in GNP per person (Switzerland and the United States were already higher than us), despite the fact that the Swedish figures are inflated due to the fact that a great deal of welfare work takes the form of paid services. With its higher growth rate, Finland can be expected to surpass Sweden, as well as possibly Iceland. It is fully conceivable that Sweden will be last among the Nordic countries within a couple of years.

In a recent study, Gunnar du Rietz, who has a doctorate in economics, shows that the average Swedish industrial worker has a net income—taking into consideration wages, taxes, contributions, dues, as well as differences in the cost of living—considerably below almost all other Western European countries (even England). "A wage gulf divides them," stated the newspaper the METAL WORKER, when it compared the wages after taxes for Lars Sjödel in Finspang and Udo Thymian in Baden, both employed by Asea-Brown Boveri. Lars netted 6,000 kronor per month, Udo 17,600.

So what is the state of social welfare? Goran Therborn stated in his study, that Sweden is on a par with Western Europe when it comes to official income transference. Countries such as Holland and West Germany have long had a more generous system of health benefits for workers than Sweden. On the other hand, the Swedish combination of old-age pension and social security is more ambitious as an official basic pension system. The great security needs—a secure life and freedom from accidents—exist in all communities and the efforts of the Western European democracies in handling them do not differ much. Consequently, the tendency on the part of the right-wing parties to depict the welfare state as a social-democratic device does not have a sound basis.

Therborn says that Sweden has some special distinctions. One is the large number of women in the work force and the efforts at achieving equality, including a view of the family which puts the children in the center. Another is the purposeful aspiration of the labor-market policy to provide work for everyone. We ought to continue to maintain these two characteristics.

This should not be the case, however, when it comes to the third Swedish peculiarity: the fact that such a large part of the production of services is in the guise of official monopolies. It is here and in the extremely expensive subsidy and regulation systems in the housing sector that we might find the main explanation for the extremely heavy Swedish tax burden. The Swedes

receive too few services from the hundreds of millions that are invested in the sluggish monopolies—or they pay too much for the services they give. There is also daily testimony that they often fail to provide their employees with pleasure in their work.

The social economist, Nils Lundgren, wrote in an article that Marx would have been surprised had he known that the Social Democrats would accept privately owned heavy industry but would fight tooth and nail against private hospitals, dental offices and child-care facilities. When the old picture of Sweden as a unique welfare state fades away, the Social Democrats might be forced to declare themselves in a more concrete manner.

Carlsson, Westerberg Views Contrasted

36500082 Stockholm DAGENS NYHETER in Swedish
19 Mar 88 p 2

[Editorial: "Two Leaders—Two Messages"]

[Text] On a stage in Nassjö last Thursday during a dress rehearsal on election campaigning, Ingvar Carlsson presented the government's welfare achievement for everyone to see. The allowances for families with children under eighteen have been doubled, health insurance has been improved and the partial pension reinstated. Soon retirees will receive compensation for the devaluation and students will get increased resources.

All this comes from the government. Even the money? The same day, Bengt Westerberg said that what will hurt the economy the most is raising the taxes and placing the money in escrow. He means that a tightening-up of the economy will become necessary regardless of which party wins the election, and he does not rule out tax increases.

Both candidates for the prime minister post are trying to revive a winning theme from 1985, when Olof Palme was fighting for the welfare system against the New Liberalism, while Westerberg sent out a gloomy message about wage freezes for government employees and reductions in government spending.

Both of them know that we are headed towards a new deficit crisis. What is required by those who are going to lead the country is a formidable effort in achieving a broad political and professional understanding of necessary measures. It is not possible to launch a new government policy directly after the election. No matter how well thought-out it may be, faction trade organizations and opinion creators must first be informed and persuaded. The expectations of the voters should not be allowed to go in the wrong direction. Since they were surrounded by lack of understanding, it took the non-Socialists several years after 1976 to alter the economic course.

Ever since his time as secretary of state, Westerberg has specialized in unpopular truths. It is because of them that he now has gained credibility even if he has sometimes gone too far in negative predictions. His latest statements indicate that he now wants to give a future non-Socialist government enough freedom to act by preparing the public opinion for a tighter policy. In reality this means, among other things, that the Social Democrats get the opportunity to raise the stakes by promising speedy pension increases. After the pension election in 1936, it was not until 1982 that they had that opportunity again.

The non-Socialist parties could not agree in the finance committee on more than "that even in the future the fiscal policy must be conducted in a very tight manner"—as if it were sufficiently tight now. The report contains fundamental requirements for tax reforms, getting rid of the monopolies, deregulation etc. but no remedies for the acute problems that a non-Socialist government will face this fall.

By means of questions to the finance minister, the opposition is now drawing attention to the increasingly strong tendencies towards inflation. The agreements with the clothing workers, the food workers and those employed in trade make it impossible to maintain the illusion that wages have only risen four percent in 1988. When everything is added together, it will probably amount to about seven percent, i.e. the same as the two previous years.

Last January, the government felt that wage increases of seven percent would cause a rapid deterioration in the balance of trade, that is increased indebtedness in foreign countries. The economic growth would fall to almost zero as soon as 1989. "It would also cause increased difficulties in safeguarding the social welfare in our country."

Last Friday, Anne Wibble asked "Is the government making the same judgment now as in its fiscal plan? Which countermeasures does it have in mind?"

It is equally legitimate to put the question to those who want to take over the responsibility for the government. During on-going wage negotiations and 6 months away from an election, there are hardly any clear answers to be expected from either side.

On the other hand, it is important that the parties aim the discussion at the central questions and that they base their planning on a realistic economic analysis. A party may get away with ideological and long-term arguments when it is in opposition, but not when it runs the government.

When the Social Democrats in a politically and symbolically important question—the pensions—act contrary to all economic sense and Ingvar Carlsson gets ready for an election campaign that boasts of all the fine things the

party has done or promises to do for the various voter groups, there is goodwill to be found for the party that shows some fiscal responsibility. Bengt Westerberg has chosen the right question for discussion. The crisis indications cannot be argued away. In his important warning speech during the savings bank week, Pierre Vinde pointed out that our lack of personal savings, minus 3 percent, is a fact that makes the deficit problem both comprehensible and more serious. That should be the central point of the political debate.

12339

TURKEY

Commentary Questions U.S. Black Sea Intentions 35540115a Istanbul TERCUMAN in Turkish 14 Feb 88 p 4

[Commentary by Fahir Armaoglu]

[Text] It seems that America has decided to initiate a campaign of hostility against Turkey, and has already started putting the pieces into place. After having declared Turkish citizens of Kurdish descent as a "national minority," thus challenging the Lausanne Agreement, it is now creating an incident in the Black Sea, with the probable intention of bringing the Montreux Agreement concerning the Straits under review.

First, let us point out that there is a very powerful Soviet navy in the Black Sea today. In terms of the 1936 Montreux Agreement, Soviet Russia is perfectly entitled to sail that navy from the Black Sea into the Mediterranean—in other words, they are completely free to pass through the Turkish Straits. On the other hand, Montreux limits the tonnage of warships that non-coastal states can sail into the Black Sea, as well as their length of stay there. That seems to irritate America. Thus, from time to time, U.S. warships are sent into the Black Sea "to show the flag" and remind the Soviets that the Black Sea is not a "Russian lake." Thus it was another instance of that practice, when two American warships, entering Soviet territorial waters under the guise of safe passage, have nearly come to blows with two Soviet warships.

Safe passage is a controversial matter so far as warships are concerned—as indicated in both the 1958 and 1982 Marine Law Agreements. In the 1982 Agreement, clauses 17 to 26 relate to safe passage but there is no mention of warships. Clause 23 merely refers to "nuclear-powered foreign ships."

A similar incident had occurred in 1986 when entry of American warships into Soviet territorial waters produced disagreement between the two countries. Despite that, America seems to have decided to adopt a cavalier, devil-may-care attitude.

The 1982 Marine Law Agreement enumerates the items (12 of them) that ships using the right of safe passage are not allowed to do (clause 19)—including the provision that such ships cannot engage in intelligence-gathering activity in a way detrimental to the defense and security of a coastal state. It is, however, reported that one of the American ships is equipped with the latest intelligence-gathering technology. It is quite likely that what upset the Soviets most is the spectacle of a high tech warship entering their territorial waters.

There is, of course, no reference to any of this in the Montreux Agreement. It thus seems to us that, in creating such provocations, America wants to re-open Montreux to negotiation. From the U.S. point of view, America (and other states) should have as much right to sail their warships from the Mediterranean into the Black Sea as Soviet warships pass freely from the Black Sea into the Mediterranean.

It should, however, be noted that in the present climate of detente in Soviet-U.S. relations, particularly after the negotiations over Afghanistan, America is not expected to provoke a clash with the Soviets. But, nearly three months before the Reagan-Gorbachev summit it is not outside the realm of possibility that America might want to take another item to the negotiation table.

12466/12223

Retired NATO Expert Sees U.S. Support of Kurdish Statehood

*35540115b Istanbul MILLIYET in Turkish
15 Feb 88 p 11*

[Commentary by Ihsan Gurkan, retired general]

[Text] In an official report published in America, Turkey is accused of violating human rights. The American government praises Turkey as a loyal ally, whenever it suits its purposes; and when it does not, it resorts to cutting aid, issuing threats that Turkey might be left on its own to face the Soviets, and making groundless accusations. America has made a habit of behaving in that fashion, and everyone has heard of their practice of hiding behind the Congress or pointing to the lobbies.

This time it is the State Department (one of the two key departments and the closest to the President) which accuses Turkey of excesses in its treatment of the Kurds. The whole thing lends further substance to Alexander Haig's criticism of U.S. foreign policy (that he levelled when resigning as secretary) that it does not conform to reality and is inconsistent.

Two Angles

The issue has to be seen from two angles. First, the difference in perspective between the President and the State Department has surfaced again. (This has been the prime factor in the foreign policy failures of the Reagan

Administration.) It is cited in American sources, [See "Making the Reagan Doctrine Work" National Security Report No. 108, The Heritage Foundation Wash. D.C. 1987, p2.] supportive of the party in power, that Secretary of State Shultz, who views peace as more important than independence and freedom, is out of step with the Reagan doctrine (notwithstanding that the doctrine may be in need of scrutiny).

Shultz says that he views "military pressure and diplomacy as two sides of the same coin," and that they are both needed in solving international problems. The secretary, however, always sticks to his own line of thinking in all matters, putting peace before freedom and independence. The State Department official who has prepared the Human Rights Report seems to be following the same line. In short, the State Department is seen as supporting the break up of Turkey for the sake of human rights and domestic peace.*

The Other Angle

The other angle is this: Shultz himself has been saying how important Turkey is to the alliance and U.S. interests, forcefully defending the increase in military aid to keep Turkey strong. The planners at the Defense Department have also been reinforcing Shultz's view on this, saying that Eastern Anatolia's significance has risen, almost at par with the Thrace-the Straits-Marmara region. Whatever the relative strategic significance of its regions Turkish territory remains a whole. It has been established on a very sound geographic conception by Ataturk himself in the wake of the disintegration of the Ottoman State. Turkey's boundaries are, with minor exceptions, based upon extremely well-selected features so far as military geography is concerned. Its dimensions are balanced. But, most importantly, the Turk cannot give up land gained at the cost of his blood.

It is, therefore, something of a paradox to speak of a country's (or region's) strategic significance, to spend money on the reinforcement of its defenses (either within the framework of the alliance or through bilateral relations), only to adopt an attitude supporting separatist movements which are clearly manipulated by the great powers who have designs on the region.

Conclusion

Certain ideas come to mind in this regard. One may wonder how the State Department would react to a scenario in which the American Indians form an exile government, with the support of Qadhdhafi, engaging in divisive actions causing instability. Would they disown the whole thing saying that it comes under the jurisdiction of the Department of the Interior? Or, would they arrange for an air strike?

Massoud Barzani, who has been meddling in the Armenian and Kurdish problems through the instrumentality of CIA, is reported to have promised oil rights to the

Americans in the event of the formation of a Kurdish state. Someone at the most senior levels should tell our American friends, who seem to have been taken in by empty rhetoric, that their situation appears highly incongruous to us.

Footnote

* See "Making the Reagan Doctrine Work" National Security Report No.108, The Heritage Foundation, Washington D.C., 1987, p. 2.

12466/12223

Commentary Recommends Severing Relations With Israel

35540114a *Istanbul MILLIYET in Turkish*
29 Jan 88 p 2

[Commentary by Mumtaz Soysal]

[Text] The scenes are that of horror—even when watching through TV screens. Heavy sticks, wielded by steel-helmeted, machine-gun-toting soldiers, coming down on the backs, heads and even faces of defenseless young people...

This is the "beating method," officially sanctioned by the Israeli government for implementation against the rising of the Palestinian Arabs in the occupied territories and Gaza. The reasoning seems to be this: If weapons are used hundreds will die and the world public opinion will be totally outraged; so one might as well intimidate them by beatings—without unduly checking whether they are young or old, man or woman.

Israel's methods have produced some reaction, however half-hearted, in the Western world, and the United States has even performed the rare gesture of voting against Israel at the United Nations. But, that is as far as it goes.

Turkey's reaction, on the other hand, has to be something more than joining this half-hearted chorus of condemnation. And, that is not merely because we have opposed, since the time of Sultan Abdulhamid II, the wholesale offering of Arab lands to the Zionist movement. It is not because we have been casting our vote on the side of Palestinian Arabs in any U.N. vote that has anything to do with the issue.

There has to be a response, if only to relieve the public conscience which has been disturbed by the savagery witnessed in front of TV screens night after night. The public conscience expects its government to issue a more vigorous protest in the face of the oppression of the victimized. To begin describing the voices of protest wailing through newspaper phone lines, and the state of mind of those persistently calling the columnists, one may have to resort to poetic metaphors: Necip Fazil's

"What a world this is, a difficult story to tell" or Nazim's [Hikmet] "The unbearable sadness of not being able to make light of things, not making small talk..."

Yes, the undersecretary of the Foreign Ministry has called the Israeli charge in Ankara, condemning the actions perpetuated against the Palestinian Arabs.

Yes, the food aid sent by Turkey to the refugee camps has reached its destination despite Israeli resistance—bureaucratic 'red tape' arguments. Yes, certain professional and human rights organizations have visited the PLO Representative's Office in Ankara expressing moral support.

But, all that is not enough. In fact, it would still be not enough were private organizations, taking their actions one step further, to leave a black wreath at the gate of the Israeli legation.

This is the time to use the diplomatic option with Israel. (Turkey has been maintaining diplomatic relations with Israel, though admittedly at minimal levels, at the cost of drawing the wrath of the Islamic world upon itself.) If Turkey suspends diplomatic relations with Israel, calling back its representative there, until such time that "Israel starts behaving humanly in the occupied territories," it would be a meaningful and, to some extent, effective act.

Such an act is necessary to the esteem accorded to Turkey by the Arab world. If Turkey, which is presently pressing against the gates of Europe, wishes to preserve the inalienable aspects of its national personality, it has to adopt a warmer approach to the issues of Islamic countries, and that of the Arab world in particular. A Turkey completely excluded from that world, due to the coldness in its perspective, would be a Turkey totally surrendering to Europe, hence losing its personality altogether.

This is not the time for recalling the "Arab treason" during the First World War, and thus ignoring the tragedies currently occurring on Arab lands. Dwelling on past betrayals would be betraying Turkey's future. We cannot remain indifferent to the fate of the Moslems in Arab lands as we seek support for the Turks in Bulgaria, Cyprus and Western Thrace.

If the fear is that of antagonizing the Jewish lobby in the United States—hence adding another lobby to the Greek and Armenian lobbies—then the fear is in vain. It would be the utmost timidity (or wimpishness) on our part to indulge in such fears when a good portion of the Jews in Israel are themselves in rebellion against what is happening. Turkey does not need to suffer from any such complexes, given its history completely devoid of any racial blemishes, and given its treatment of the Jewish race with the utmost tolerance throughout.

It could also be pointed out that lobbying does not necessarily entail having to step over one's conscience in hotel lobbies or the lobbying corridors of parliaments.

12466/12223

'Nationalists' Exploring Formation of New Party
35540114b Istanbul TERCUMAN in Turkish
29 Jan 88 p 7

[Text] Former Nationalist Action Party (MHP) members are reported to be debating whether to form a new party or stick with the Nationalist Labor Party (MCP). While some former MHP members, who have not joined ANAP or DYP, have found a home in MCP, others are reported to favor a new broadly-based movement which would "unify all nationalists."

MCP General Secretary Devlet Bahçeli defends the view that "MCP is the gathering place. There is no need for a new party." Former MHP deputy leader and former minister of state Sadi Somuncuoğlu, on the other hand, is of the view that "nationalists should come together without pre-conditions as to party affiliation, and decide upon their future course by holding broadly-based meetings." Somuncuoğlu also announced that consultative meetings are already being held on the issue, and that he had discussed it with Alpaslan Türkesh who wanted to see the "nationalists unified."

Broad-Based

Many former MHP Executive Board members had not supported MCP—exceptions being Faruk Demirtola, Mehmet Irmak and Tahsin Unal. Most have remained politically inactive, some joined ANAP. At local party politics they are to be found in MCP, ANAP and DYP. Many have not participated in local politics.

Somuncuoğlu, who had not shown much interest in MCP from the start, had also opposed the options of supporting ANAP and DYP, defending the view that "nationalists should decide their course of action among themselves at a broadly-based meeting."

Türkesh's View

Former MHP circles confirm that Türkesh is of the same view, having always wanted to see the "nationalists unified." These circles add:

"Following the lifting of the political bans, Türkesh joined MCP and invited his former colleagues to do the same. He was told that it was impossible to gather everyone under the roof of MCP, and that the issue had to be decided in a broader context. At Türkesh's dinner-meetings, most of the former MHP executives opposed the MCP option. Some supported ANAP, some preferred to stay out of politics, and others argued for a long-term view, seeking a broader base. With the election

results and MCP's [poor] performance, the "long-term, broad base" view is, once again, back on the agenda. Türkesh has always supported the unity of nationalists."

Broad Base

By "broad base" is meant the gathering of former MHP members down to county level and youth leaders and MCP members, that after "consolidation" is secured at the envisioned gatherings (which are to be organized without any party label), among which "ideas and strategy" would be discussed among "all nationalists" whether they remain true to the old MHP tradition or not. Noting that this approach is presently at a "theoretical stage," Somuncuoğlu elaborated in response to a question by the TERCUMAN correspondent:

"It is becoming increasingly evident that the country wants to see the nationalists get their act together. While we respect the decisions of our colleagues who went into ANAP and DYP, no result can be attained by joining pragmatic political parties of that kind. We need a long-term strategy with clear objectives, working with a broad base. This need not be considered as the new MHP but, rather, as the new party of the nationalists. The first order of business is securing ideological consensus. It would be ill-advised to initiate our efforts with political unity as the first objective. That would jeopardize the consolidation effort at the very outset. The first order of business should be effecting a consensus at the level of ideas, without any pre-conditions concerning any past or present party. Once that consensus is established a decision could then be made about the political course of action—whether it be coalescing around an existing party, the formation of a new party, or confining oneself to intellectual and cultural activities without any party affiliation. These kinds of decisions would be made then."

Pointing out that the discussions over such issues are ongoing, Somuncuoğlu said:

"The issues are under discussion. In fact, these discussions are taking place across the country, at every province and local branch organization. As such, they are not confined to Ankara. That, in itself, is another indication for a strong need for unity."

MCP General Secretary Issues Call

MCP General Secretary Devlet Bahçeli, on the other hand, expressed the view that a new party is not needed, saying:

"We believe in the need for Turkish nationalists to coalesce around an independent political party, given the political and social conditions that Turkey is in. And that party is MCP. MCP is the party where people who have committed themselves to the cause of Turkish nationalism have gathered. MCP is determined to fulfill its duty within the confines of Turkish democracy. The issue has

been discussed during the meeting of the party executive committee right after the election, at the provincial party chairmen's meeting, and at the broadened consultative meeting. And, the view has been expressed that all nationalists should coalesce around MCP, serving within the framework of that party. In this connection, MCP invites Turkish nationalists to coalesce around that party."

No Need for Another Party

Responding to a question whether MCP will be able to establish the sought after unity, Bahcheli said:

"Significant progress has been made in that direction. During the post-12 September period Turkish nationalists have been perceived as a scattered group. That perception no longer holds true as we coalesce around MCP."

When asked to comment on an observation that the call for a gathering has to do with the question of whether to form a new party or not—whether to stick with MCP, Bahcheli responded:

"We are in close touch with our ex-MHP friends, particularly those who held high positions in that party, and we do not detect any great demand for a new party. MCP is the party where all our nationalist colleagues can find a home. There is no need for a separate party."

12466/12223

FEDERAL REPUBLIC OF GERMANY

Navy Chief on Aging Fleet, Deployment, Manpower, Reservists

36200056 Bonn WEHRTECHNIK in German
Dec 87 pp 41-48

[Interview with Navy Chief of Staff Vice Admiral Hans-Joachim Mann by WEHRTECHNIK editor in chief Wolfgang Flume; date and place not given]

[Text] The present financial climate forces the Navy—like the other armed forces—to rethink its planning, which sometimes also results in larger replanning efforts. In the discussion below, the inspector of the Navy, Vice Admiral Hans-Joachim Mann, explains why four new frigates (the 123-class) are to be procured earlier than originally planned, and why the class 211 submarine project is to be terminated. Basically, there will be no changes in fleet composition with regard to its components such as warships, minesweepers or larger submarine units, but if the financial climate does not improve, then one cannot preclude a reduction in numbers of the individual components. Though the naval picture is positive, there is concern not only with regard to finances, but also the air support situation is not entirely without problems.

[WT] What were the high points for the German Navy this year?

[Vice Adm Mann] Many of our so-called high points are regularly recurring events:

I am thinking of our speedboat maneuvers "Bold Game" and "Blue Harrier," the maneuver of our minesweepers, both of which are multinational exercises by the way; I am also thinking of our reconnaissance missions, which as a rule are to be performed unobtrusively, but where this year the incident involving the tender "Neckar" supplied appropriate turmoil. I also recall the large NATO maneuver "Ocean Safari" where our new combat group concept for destroyer forces proved invaluable—likewise for the firing segment in Roosevelt Roads and the training trip to West Africa.

Other events were the ongoing world circumnavigation by the sailing trainer, Gorch Fock, the first visit of the German Navy to China and Korea by the training ship, Deutschland and participation of a German combat group in the "Naval On Call Force Mediterranean."

In Navy Air Squadron 2 the last Tornados are being delivered in this and in the coming year, then this squadron will also be refitted. We have concluded troop trials with the Do-28 used to monitor oil spills; the cooperation between Defense Ministry and Transportation Ministry has been excellent and we are able to see the first, positive successes.

Notice also that in 1987 we flew the Tornado, Breguet Atlantic, Do-28 and onboard helicopters without one accident. And finally, one should also mention that the refitting of the Sea King into a combat helicopter is proceeding on course. At present, we are conducting trials with this system.

Also in the logistics area, something happened again: On the basis of an existing "Memorandum of Understanding," the Navy support command and the Material Command, Denmark began discussions on establishing maintenance groups for Navy combat units in Denmark. These repair points shall assure support for fleet units in crisis and war in the operational area, and both German and Danish capabilities will be used.

[WT] Your answer brings up a few additional questions. First: You mentioned the new combat group concept. What does this mean?

[Vice Adm Mann] For 2 years we have been moving according to a British and Dutch example within the destroyer fleet with two combat groups. These groups with three to four ships each, remain together for a period of at least 1 year, which has certain advantages:

—First, in NATO maneuvers the German contribution by this group is more clearly visible than if—as before—individual units were assigned, which then normally were incorporated into a Dutch or British detachment.

—But the main reason is that in this manner, the training is tailored specifically to the actual situation in tension and war. Naturally after a certain time, such a detachment has a large combat effectiveness as a group, after a certain time, which would have to be "learned" by a spontaneous collection of units from different squadrons.

The ships of the destroyer fleet not assigned to a combat group, are either in planned material maintenance activities, or have not yet attained the level of training necessary for such missions.

[WT] Then you mentioned the concluded troop trials with the Do-28 used for oil monitoring. Does this mean that now no aircraft will be used for oil monitoring?

[Vice Adm Mann] No, the oil monitoring equipment remains installed, and the aircraft will continue to be used for this task—thus we also participate in this manner actively in environmental tasks at sea. This also includes oil clean-up ships: The "Bottsand" is being used in the Baltic Sea, a second ship is now being added in the North Sea.

[WT] And the last question on the highlights of 1987, regarding the repair groups in Denmark: Does that involve only material, or will German personnel be stationed there?

[Vice Adm Mann] We will be storing material there which we can then utilize quickly with Danish or with German personnel driven or flown up. This is a precaution to ensure the greatest possible logistic flexibility in crisis and war. We also intend to do something similar in Norway.

[WT] Now a question about next year—what major events can be expected?

[Vice Adm Mann] For 1988—in addition to the regularly recurring special events—we are planning training and exercise programs with our two combat groups of the destroyer fleet, one in Roosevelt Roads/Puerto Rico, and the other in the Mediterranean. Both missions will include missile firing at the Atlantic Fleet Weapon Range, or off Crete.

In addition, in 1988 we will refit our Naval Air Squadron 2 with the Tornado weapon system.

Frigate 123 and Submarine 212

[WT] Planning is indeed a dynamic process, still one is always on the lookout for larger changes in plans. What was the background or the important reasons for the announced change in the Navy's armaments planning, which resulted in cancellation of the U-211 project and the addition of a Frigate 94?

[Vice Adm Mann] First, I must state that this is a proposal, and not an approved plan—like the Navy's planning proposal in the Army Plan 89. Armaments planning for all three branches of the armed forces is updated annually; the annual planning process is concluded toward year's end by the decision of the Federal Ministry of Defense.

When reworking Army Plan 88, I primarily had to consider four factors which clearly reduced our leverage for other planning:

1. Continuing reduction in finances;
2. Significantly increased costs for some weapon systems;
3. "Runaway" material maintenance costs which had not been taken into account adequately for aging weapon systems; and
4. The difficulties in the personnel structure for the 1990's, which still has not been adequately taken into account.

The complexity of these inhibiting factors does not allow reliance exclusively on the methods of "shifting" and "extending," not even if this were actually necessary to confirm the operative necessity of previous planning in

the form of a definitive requirement. However, such shifts, extensions and reductions naturally set clear limits to armaments considerations.

In order to get some relief in the area of material maintenance costs and simultaneously undertake urgently needed duty post savings, the timing of the retirement of the Hamburg-class destroyers had to be delayed, even though their relative combat effectiveness has diminished severely.

Or stated differently: I consider the replacement of these ships by NATO frigates, i.e., probably no earlier than 1997, to be unreasonable based on the presented state of affairs.

The earliest time at which replacement would be financially feasible is 1994. This advance naturally also means a decision to replace these ships by a domestic solution. It would be reasonable to replace the last serviceable Koln-class frigate during this armaments step; unfortunately, the funds are not sufficient to replace the four Hamburg-class destroyers; the last Koln frigate cannot be replaced until after the NATO frigate 90 project after the year 2000 and then together with the replacement of the Lutjens-class destroyers.

The funds needed for the four ships means that this planning step cannot be implemented by stretching and pushing, but only by the cancellation of a larger procurement project. I decided on the cancellation of the submarine class 211 because:

—Retention of the capability of our naval forces in the Baltic Sea and North Sea and bordering ocean regions required a compensation in the North Sea;

—Improving our antisubmarine capability by new frigates suggested a compensation in the area of submarine hunting;

—Economical operations, or also economic logistics and training in the 1990's necessitate performance of tactical missions assigned to individual type-commands, by one ship/boat class wherever possible; and

—Because I consider our proposed submarine planning to be appropriate to the threat and operationally feasible.

So the planned Baltic Sea-optimized submarine class 212 will be operational without restriction and with good chances of success in the North Sea and bounding ocean regions whenever the situation in the Baltic Sea allows. The class 212 has a clearly improved signature, a propulsion system independent of external air, modern sensors and a new torpedo, compared to the class 206 submarine.

U-212 will not be a submarine hunter in the actual sense, but will be able to defend itself against such ships and under quite specific circumstances can also be used for

submarine hunting. Its primary mission remains—as in the Baltic Sea—the engagement of enemy surface warfare and reinforcing detachments. Regarding the frigate 94 or frigate 123 as it has since been named in our planning, we are following a strict “design to cost” policy. To the extent possible and feasible, we are striving for essential identity with the frigate 122 in the interest of economical operation, i.e., uniform logistics and training. At the same time, we are trying to incorporate enough growth potential into the platform in order to be able, in the event of changing financial situation, to give these ships relatively quick increases in combat effectiveness at a later time, and perhaps then to make them more equivalent to NATO frigates.

The financial situation compels us in general—and this applies for all present armaments projects—to go only up to the operationally feasible minimum with regard to expensive control and weapons employment systems, and wherever possible to rely on existing equipment, but on the other hand to ensure the potential for enhanced combat effectiveness to meet the growing threat by incorporation of growth potential for the new platforms.

And “new platform” is the catchword for my final comment on this subject: The unfortunate process of extensions and shifting of important Navy armaments projects which has been going on for years, has led to a threatening over-aging of our fleet units. Our once-desired goal of keeping at least 50 percent of our units in modern condition, has long been out of the question; even now 73 percent of our essential combat units are almost 20 years old. Even the implementation of our present proposed planning will not be able to reverse this trend: By 1995 over 82 percent of our units will have reached an average age of 19.5 years.

[WT] You mentioned the goal of economical operation of ships. Now there has long been talk about low life-cycle costs, e.g., primarily low operating costs. Would you be prepared to spend several millions more if you knew that this would reduce long-term operating costs?

[Vice Adm Mann] Today I have no possible means for spending more on procurement. The financial picture is already so tight that I can only afford the operational minimum feasible performance of a weapon system. Within this framework I am always trying to keep in mind operations for the 1990's.

[WT] To return to submarines: Here we continue to hear that numbers are to be reduced. Is there any substance to these rumors?

[Vice Adm Mann] Even according to our most recent determination of armed forces requirements, I see no possibility for reducing the number of submarines. We have to react to a threat; in the Baltic Sea this continues to be from an amphibious component which is being permanently expanded and modernized. The requirement for a replacement of all 24 Class 205 and 206

submarines remains, even though for the intermediate term it cannot be fulfilled. Initially we are requesting 12 U-212 submarines—7 of them are in the planning stages. In addition, we plan to improve combat effectiveness of 12 U-206 and U-206A submarines. Until their replacement by the U-212 we still have six U-206 and six U-205 Class submarines with clearly diminishing relative combat effectiveness. On the other hand, the oceanographic conditions for submarines are fortunately so favorable, that we can assume that even the old boats with their quite good acoustic signature will retain their value into the 1990's. After the mid-1990's, it will be high time to replace the snorkel by an appropriate drive system and make further improvements in the overall signature.

No Alternative to the Present Composition of the Fleet

[WT] The final decisions on armaments planning in the armed forces will not be made until mid-December; still we would like to ask: With regard to the balance of the fleet per numbers of sea vessels, will there be reductions or will one project or another have to be stretched or delayed—which in the final analysis is not less expensive?

[Vice Adm Mann] Again this year we thought through all possibilities of whether and how we could perform our mission with another fleet structure. The result was: There is no alternative—at least not now—to the present component composition of the fleet. Our mission requires:

- The ability to combine the elements of naval warfare in a combined arms engagement, so they can counter the combined enemy offensive naval forces; and

- The ability to combine the elements of naval warfare so the enemy does not succeed in concentrating his capabilities and operational control onto Western weaknesses of our individual naval forces.

Even in the Baltic Sea we experience in every maneuver, that the decidedly unfavorable space-time factors there can be compensated only somewhat by this combination. Since the timely arrival of adequate quantities of supplies and reinforcements is of equal importance for frontal defense on the Central Front and for our direct contribution to frontal defense in the Baltic Sea, it is important to retain not only the task-related structure of our Baltic Fleet component, but also a meaningful balance between Baltic Sea and North Sea components.

The funding provided for both operational areas in the planning period expresses these principles quite clearly.

We will not be able to avoid reductions in numbers in coming years unless the financial climate improves considerably. Here again, it is a matter of determining the minimum from an operational, logistics and training viewpoint.

The Question of New Ship Platforms

[WT] Due to lack of funds, only the most modern equipment—because of its great expense—remains in question. Will the present discussions on cost savings cause the Navy to delay the introduction of new ship platforms indefinitely?

[Vice Adm Mann] Within the framework of the NATO organization CNAD, numerous working groups are involved with research and technical studies on future ship designs. Present concepts in this regard are air-cushion vehicles, multi-stern boats, winged vehicles, surface effect ships, wing-in-ground technology and Semi-Water Air Twin Hull (SWATH).

The German defense sphere and the armaments department are participating in the alliance and independently in pertinent studies and research work. Numerous study contracts have already been awarded. The efforts of the armaments department are aimed initially at developing and building test and demonstration ships which can then be used for further specific research.

Due to the tight financial situation, the Navy naturally needs to investigate under very precise economic guidelines, which specific contribution such modern equipment can make to fulfilling the Navy's mission. Under such conditions it cannot be a matter, for example, of optimizing a platform only with regard to individual performance data, such as, speed. Rather the Navy must investigate how it can obtain certain necessary tactical elements of combined arms combat in the least expensive manner. Under such considerations previous investigations of new ship platforms have not yielded any actual alternative. So for the German Navy there is at present no real discussion and planning on replacing certain conventional boats and ships by new platforms toward the end of the planning period.

To this extent, fears that useful technical innovations would fail due to tight funding, are not actually justified.

The Navy continues its efforts to use all technical findings and potentials when replacing present naval weapons, to increase the effectiveness of new naval weapons, but also not to avoid absolutely necessary expenditures for new technology, to reduce operating costs and to reduce the personnel requirements.

The Navy Is Also Pursuing FOFA

[WT] Among the ground and air forces, FOFA is currently under intense discussion, and increasingly appropriate weapons systems are being developed. What is the actual role of the FOFA concept in the Navy?

[Vice Adm Mann] Defense in depth, or engagement of the enemy without delineated defense zones at the border of one's own territory, has long been a principle of

naval warfare. The defeat of amphibious forces, engagement of naval forces "as early as possible," measures to contest the sea lanes as an enemy transport and supply line for his ground forces, are the actual precepts of FOFA. To this extent the NATO concept of maritime operations and the operations concept of the German Navy fit very well into this framework.

It is correct that present NATO discussions pertain primarily to the area of Central Europe and the engagement of follow-on echelons directly threatening this area. It is also correct that in the allocation of operational missions in this regard—quite specifically in the West German Army—thinking is aimed primarily at ground and air forces.

Still, the Navy has consistently pointed out that it is also pursuing FOFA; available NATO documents expressly confirm this state of affairs.

NATO Presence Must Be Maintained on the Northern Flank

[WT] The Soviet side has warned NATO to strengthen its naval forces in the North Sea as a result of the INF agreement. What might have motivated the Soviets to take this verbal step?

[Vice Adm Mann] The Soviet Union has long been following the objective—regardless of the INF agreement—of limiting NATO activities not only in the North Sea, but also in the Baltic Sea. This was expressed again quite clearly by Gorbachev's statement in Murmansk. The Soviet Union is trying repeatedly to incorporate naval forces into the armaments control proceedings of KSZE, KVE and KRK. It hopes to gain one-sided advantages. Because NATO, in contrast to the Warsaw Pact, must rely on safe sea communications and thus strong naval forces, due to the geographic asymmetry of the alliance. In order to secure these sea communications in case of war, NATO must control the sea regions in the northern flank and Norwegian key position. Naval forces of the Warsaw Pact must be tied up in the northern flank area and worn down, if possible. Only in this way can the pressure against the lifeline over the Atlantic be reduced. The more progress in nuclear armaments control, the more important are these aspects of conventional NATO defense.

These relationships are naturally also known to the leadership of the Soviet Union. So they are trying to counteract it at all levels. With their proposals to reduce activities in the northern flank sea regions and to include naval forces in the armaments control process, the Soviet Union also intends to influence the Scandinavian countries. This was also clear in the Murmansk statement.

In my opinion, NATO must demonstrate at all times that it will receive conventional reinforcements and supplies safely and timely over the Atlantic to Europe—even on the northern flank—so that the conventional, survivable frontal defense remains credible.

Therefore, maneuvers and a NATO maritime presence in the northern flank ocean regions should be kept at their present levels.

Combat Group in the Mediterranean

[WT] Not only NATO members are requiring a greater German naval presence and more ships in sea regions where the Navy has not operated previously, such as in the North Sea or Mediterranean, but also outside the NATO area—meaning the Persian Gulf. Now the Navy has a combat group in the Mediterranean. Were there more material than political obstacles in this matter—or is the reverse true?

[Vice Adm Mann] First, the principle for all our discussions and judgments continues to be the decision of the Federal Government which precludes the use of German naval forces outside the NATO alliance region.

The decision to support the use of U.S. naval forces in the Gulf to a certain extent, by compensation duty of German naval forces within the NATO region, is based on this principle. As compensatory service, there has since been a German Task Group, i.e., one of the combat groups mentioned previously, in the Mediterranean. The destroyer *Moelders*, the frigate *Niedersachsen* and the tender *Freiburg* have been assigned as the German contingent of the "Naval On Call Force Mediterranean" and operate under the command of COMNAVSOUTH jointly with American, British, Italian, Greek and Turkish units in this sea region.

So here there is a clear political picture that limits our employment to the NATO area. So there are no material obstacles to impede the Navy in performing such a mission. It is important in such missions, that the systematically planned training of participating crews not be interrupted by such employment, but that it actually be enhanced as much as possible. The cooperation within this NATO detachment in the Mediterranean and the possibility for cooperation with the U.S. 6th Fleet offers our units particularly good training potentials, e.g., since more aircraft are available for air defense training and submarines for practicing submarine hunting.

Naturally, such longer-term missions also cause stress. I am thinking here primarily of interference in personal planning of the men on board. But our soldiers have accepted the challenge with high motivation. They perceive that the Gulf situation pertains to the right of free and peaceful use of the open sea, that sacrifices have to be made for this and that the objective justifies these sacrifices.

A Lack of Air Force Personnel

[WT] During a visit by State Secretary Wuerzbach to the Navy fliers, the press reported that in Navy Air Squadron 5, there are only 15 helicopter crews instead of 20 and that 7 wing captains were missing from the Do-28. Similar things were heard about the Tornado squadrons. Are there actually serious problems in finding suitable air crews?

[Vice Adm Mann] In mid-October 1987 the echelons of Navy Air Squadron 5 were missing one-quarter of the helicopter pilot officers on the Sea King weapon system, and aircraft pilot officers on the Do-28.

This deficiency is due to the overall deficiency in annual officer candidate enlistments of the Navy troop service which lasted from the beginning until the mid-1980's. The reasons were first, the planning situation, and second, the partly unsatisfactory competitive situation. Since 1986 more aircraft pilot officer candidates are being hired. Because of the long training time and high drop-out rate during training, such a lack can only be made up for slowly—if at all.

Even in the case of jet pilot officers (BO 41), due to the high annual reenlistment quotient of about 20 officer candidates, a correspondingly good crop of applicants is the prerequisite for making up the deficit.

Through the inclusion of Navy Air Squadron 2 into the Tornado organization in April 1987, an additional Navy BO-41 requirement was created. By mid-October 1987, nearly half of these highly specialized crew members were missing in the two squadrons, since the available stock of weapon system officers of the MFG 1 was assigned to both squadrons. In order to meet the future annual replacement requirement of about 15 weapon system officers, in addition to the large replacement requirement of the MFG 2, extensive recruiting measures have been initiated.

The personnel situation among helicopter pilots for the Sea Lynx MK 88 is also not satisfactory. About half the needed pilots are lacking here. Until the year 1982, the number of helicopter pilot candidates specified by the Defense Ministry could only be met at about a 55 percent rate, since there were insufficient numbers of applicants. By 1985 the enlistment quota could be raised from 15 to 17 helicopter pilots, owing to an improved application situation. Since these officer candidates need 4 to 5 years' training and the failure rates are naturally high, these increased enlistments will not be felt until after 1989/90.

Regarding the supplemental enlistment of airborne personnel to the Navy as a whole, note that officers of the troop service/BO 41 can again be recruited since the elimination of the officer candidate supplement quota in 1985 and a correspondingly good applicant situation. So

in addition to the reenlistment rate of 65 officer candidates from the troop service, another 10 candidates were obtained for the Navy air service. Since the training time without classroom study is between 3.5 and 5 years, the reduction in the shortfall in Navy squadrons will not be felt until about 1989, if at all. The reenlistment rate for helicopter pilots has been increased from 8 to 15 officer candidates per year. The classification of the two Navy helicopter types shall be in equal parts. For employment in Navy helicopter wings, pilots with the Z 15-ranking are needed.

In order to reach the theoretical strength for MFG 5 more quickly, NCO's below ensign rank have, since 1985, been allowed to move directly into an airborne career, and not as before after first passing a boatswain course. The success of these measures can only be evaluated after conclusion of the airborne training.

Whether the years of difficult recruitment of airborne Navy personnel will actually yield tangible relief at the beginning of the 1990's, cannot be predicted. A long-term, tailored solution also presumes that future officer candidate enlistment quotas of about 65 officer candidates per year can be secured against the background of falling numbers of applicants.

It is important here to utilize all possibilities for increasing the attractiveness—and this includes quite specifically the financial sphere.

[WT] Overall quite shocking numbers—wasn't that discernible years ago, and shouldn't alarm bells have been ringing at that time?

[Vice Adm Mann] They did ring. But since we did not receive any additional planning leverage, we were only able to muster as many officer candidates for the airborne service, as older officers retired. If we also include the drop-out rates during airborne training, then unfortunately this deficiency shows up very quickly. A certain lack had always existed in this area—a finding which should by no means invalidate our current situation.

A Reservists' Fleet Training Center After 1990

[WT] All branches of the armed forces are seriously considering how they should make use of the potentials of reservists. How far is the Navy with its planning?

[Vice Adm Mann] Due to the increasing importance of reservists for completing Navy missions—the number of active soldiers will drop by around 3,700 to 34,600 men by 1995—we intend to set up a Fleet Reservists Training Center by 1990. This center will be subordinate to fleet HQ; a site has not yet been selected.

By procurement of supplemental units and by keeping older combat units in service, which can then be subordinated to the Reservists Training Center, we intend to ensure that our reservists or the fleet soldiers assigned to V-duty posts, are prepared specifically for their tasks in crisis and war.

The establishment of this Reservists Training Center promises:

—A clear improvement in the tactical ability of our mobilization enhancement units;

—A clear improvement in motivation of reservists for mobilization enhancement and enhancement units by using realistic military exercises in the alliance, incorporated into the fleet;

—A clear signal that the Navy values the important contribution of reservists in fulfilling its mission.

Regarding the motivational use of reservists, in my opinion the value of increased utilization of the reservists' potential is related to their task-specific training. Reservists should train with those units they will go to sea with in case of war, and if possible as a cohesive crew including the commanders.

Both goals are based on the requirements and justify the effort. A successful use of the Reservists Training Center should also provide a positive external effect on the entire Navy reservists' potential.

Moreover, with this project we are building on the positive experiences gained with the completed Reservists Training Center for land-based Navy security personnel.

Experiences With Reservists Are Positive Throughout

[WT] In the summer a mobilization exercise was conducted on speedboats. What were the experiences from this trial? Can reservists be used only on boats or auxiliaries?

[Vice Adm Mann] Reservists are being used on all afloat units of the Navy. They carry out their mobilization and individual military training there.

Since our units are NATO-assigned and have to be present immediately, the reservists' portion of the individual units thus depends greatly on the training effort expended for the individual reservists with regard to a particular worksite on board.

So naturally for more demanding jobs on board, active soldiers would be used, those who, e.g., are employed in the Navy department as instructors, and have a mobilization job on board; these soldiers can be used without hesitation. Reservists are to be employed on those jobs if they bring appropriate training from their civilian employ.

However, even on modern units there are jobs requiring a lower level of training. Reservists can be used here as needed. Our experiences with reservists have been positive throughout.

The mobilization exercise you mentioned was of a special type which took place not only on a speedboat, but also on a landing craft and minesweeper. We wanted to know if boats with reservist crews could be made tactically ready and in how much time.

The result of the trials was encouraging: Units not having the highly trained console operators or the master electronics technicians, achieved a notable level of tactical ability even after a relatively short time. The answer to the question is thus: Reservists can be employed in all fleet units. Since a very high degree of precision is expected from the fleet, reservists will be used wherever the required level of competence will allow, in addition to their use in mobilization supplementation units.

[WT] In order to make the genesis of defense material more effective, one thinks of a reorganization of the armaments department. One model provides for incorporation of system managers into the new department. What is your attitude to this idea—doesn't this take an important area of responsibility away from your duties as inspector?

[Vice Adm Mann] When examining any potential reorganization of the armaments department, we are dealing, so to say, with a continuous process with participation of command staffs of the armed forces and their deputies in a corresponding working group.

At this phase of an as yet undecided process of examination and decisionmaking, I do not consider it appropriate for me to comment on individual solution models.

Readiness of Sea Lynx Was Improved

[WT] The Federal Audit Agency made certain objections to the Navy, for example, regarding the tactical readiness of the on-board helicopters. What do you say to these objections?

[Vice Adm Mann] The genesis of the system portion of the Sea Lynx MK 88 as on-board helicopter for the frigate 122 was under considerable time pressure right from the beginning; the delivery contract was concluded in 1979, and delivery began in 1981.

In the time between type specification for the helicopter and placing the first frigate with on-board helicopter into service, the logistics basis for the helicopter could not be assured. In addition, the available funds were not sufficient to procure the breadth and volume of required spares.

In order to counteract bottlenecks in urgently needed spares, besides the procurement of a so-called 6000-hour packet, various other individual measures were taken, like:

—Connection to the maintenance cycle of other users of the helicopter;

—Reduced provisioning of the frigates with spares and replacement parts;

—Advanced delivery of urgently needed parts from the subsequent procurement.

In spite of the existing gaps in attaining logistical maturity, since mid-1986 the flow of spares and replacement parts has resulted in a tangible improvement in the spares situation. The percentage of aircraft not available due to missing supply articles dropped from 37.6 percent in 1985, to 11 percent in 1987. Also, the introduction of EDP-based methods at the depot and troop supply levels contributed to improving this situation.

In summary: Owing to the stated peripheral conditions, the logistic maturity was not assured when beginning use of the on-board helicopter. In the meantime, all measures have been initiated so that by 1989 logistic maturity will be assured. Until then, occasional breaks are unfortunately unavoidable in the recently considerably improved situation.

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NORWAY

Planned Expansion of HAWK Air Defenses in North Cut Back

36390047b Oslo AFTENPOSTEN in Norwegian
16 Mar 88 p 16

[Article by Olav Trygge Storvik: "Evenes Not To Get HAWK"]

[Text] The military cannot afford to expand its air defenses in northern Norway as planned. Thus, the establishment of a battery of HAWK air defense missiles at Evenes Air Base has been postponed indefinitely. The situation is also critical for air defenses in southern Norway, however. To alleviate the situation, the supreme commander (OKS) has proposed that the military obtain foreign officers to help with its tasks.

The Inspector General of the Air Force, Olav F. Aamoth, confirmed to AFTENPOSTEN that personnel to man a HAWK battery at Evenes Air Base had already been ordered. The order was withdrawn, however, when it became clear that there would be insufficient resources available.

"We are having difficulty expanding in northern Norway while, at the same time, maintaining the level of air defense in southern Norway that we have today," Maj Gen Aamoth said.

"The HAWK is a high-tech weapon system. We do not have sufficient resources to provide all air bases in northern Norway with HAWKs while, at the same time, maintaining our Nike system in southern Norway," Aamoth said.

The defense chief previously developed a plan to phase out the 30-year-old Nike batteries in southern Norway, and he made the political leadership aware of the problems the military would face if this weapon system were kept too long. After complaints from the unions, however, the defense minister has now postponed elimination of the Nike system around Oslo to a later date than that proposed by the supreme commander. It is now unclear when the Nike system will be dismantled, but work is being done to find a replacement.

The inspector general of the Air Force has pointed out that HAWK missiles have begun to be installed at the other air bases in northern Norway and in Trondelag. Introduction of the HAWKs at Evenes will be delayed, however, and it is now uncertain when that air base will receive a modern air defense missile system. The inspector general himself cannot answer this question. He said only that he is taking it one year at a time.

There are also serious problems with air defenses in southern Norway. At the Regional Command (FKS) in Stavanger there is a shortage of experienced officers who can lead and monitor the allied air forces that come to this country.

The supreme commander, Lt Gen Hjalmar I. Sunde, states the situation as follows: "I have trouble getting our work done from day to day. The situation is so serious that the ability of the FKS to receive, lead, and monitor allied air forces has been placed into doubt."

Sunde recently stressed this problem in a speech to the Oslo Military Society, and he told AFTENPOSTEN that he would support a proposal to the defense chief that the military command be reinforced with experienced allied officers so that the command can carry out its work. This would involve officers with ranks of captain to major with the necessary expertise. They would have to speak Norwegian and be placed under the command of the Norwegian military chief of southern Norway.

Sunde said this would be a measure to solve the problem in the short term, before the situation at the FKS became too acute. In the long term, it will take time to improve the situation. In the meantime, nontraditional steps should be discussed, according to Sunde.

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Army Inspector General, Defense Minister on Cut Effects

'Zero Budget' Growth Expected

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22 Mar 88 p 10

[Article by Liv Hegna: "Army Inspector General: Defense Nearing Zero Growth"]

[Text] The 1988 defense budget will have closer to zero than 3.5-percent real growth. There is no improvement in sight for 1989. Even modest reductions in growth will adversely affect defense, including in North Norway.

The army is short 650 officers out of a limit of 3900 professional officers. The conversion of jobs from military to civilian status is being evaluated.

"Civilian" materiel is being purchased instead of military in order to save money.

These are some of the conclusions the Army inspector general, Major General Dagfinn Danielsen, presented in his speech concerning current challenges in the army at the Oslo Military Society yesterday.

"Budget developments have been such that operations reductions of far greater scope than thus far will take place. The 1988 budget will have lower real growth than anticipated, of closer to zero than 3.5 percent. This will result in economizing, both in operations and investment. We have received signals that the situation will not improve in 1989. Our longterm planning is based on 3 to 3.5-percent real growth. Even an apparently modest reduction in growth of by a half of a percent or one percent could result in the fact that we will not be able to build up a satisfactory defense system in northern Norway towards the year 2000 either," General Danielsen said.

Danielsen said that steps like the purchasing of "civilian" materiel instead of military will be one solution with a reduced budget: "Civilian high-frequency radio sets will be purchased that cost a fraction but that do not endure the strains in a military combat setting as well." Danielsen reported in addition that the Army staff school is working on a thorough examination of military staging plans in order to reduce types of materiel and thereby reduce investment requirements. Reductions in armored protection are especially topical, according to Danielsen.

"In light of the reduced budget Norway ought to consider reducing its involvement in Lebanon," Danielsen said besides. Other professional military leaders have also questioned Norway's UNIFIL involvement in times of economic crisis.

In addition Major General Danielsen reported that the army is short 650 professional officers. Junior officers and civilians have filled the vacancies. The army's leadership is considering whether jobs can be converted to civilian jobs, especially in administration and book-keeping. Major General Danielsen expressed a desire for more women for officer training.

There is frustration in the armed forces because of the many resultless committee reports concerning the establishment of artillery ranges: Work on the regional range in Ostlandet [eastern Norway] was begun in 1983, and work on the establishment of a regional artillery range in Trondelag began in 1968, and in Sorlandet in 1966. Work has been going on for more than 30 years on an artillery and exercise range in Nordland [northern Norway]. All without results.

Minister Foresees Difficulties Ahead

36390048a Oslo AFTENPOSTEN in Norwegian
23 Mar 88 p 11

[Article by Liv Hegna: "Holst: 'Level of Ambition in Armed Forces Must Be Lowered'"]

[Text] "We must reduce the expenditure of man-years in the armed forces by 5 percent in the 5-year period of 1989-1993. An attempt will be made to avoid drastic steps like dismissals, but rather to reduce the admission quotas at officer schools and military academies." Defense Minister Johan Jorgen Holst said this in his speech at the board meeting of the Officers' United Organization on Tuesday.

Concerning the planning of the armed forces' activities for the years to come, Holst said:

"In a period characterized by economic uncertainty it would result in reduced management possibilities if we base planning on the gradual and steady growth of defense budgets, with a steady annual growth percentage, for example. The manner of planning has to be changed. The distance between the armed forces' level of ambition and budget limits is too great."

Reducing Diet

According to the defense minister, the armed forces must now go on a drastic reducing diet in all directions, including at central and local staff levels.

Holst pointed out in his speech that the health and safety at work act is "a protective law and is not meant to be a moneybag." The inverted wage pyramid in the armed forces is well known: Junior officers earn the most. "This

does not have a motivating effect on lifelong service in the armed forces," Holst said, and he stressed the fact that the task of ensuring the armed forces sufficiently qualified personnel will be reflected in the longterm plan for 1989-1993.

Johan Jorgen Holst pointed out the fact that the income profile in the armed forces is dependent to a greater extent on time spent than on responsibility and competence. Holst thought that true competence must include a person's combined knowledge and qualifications, whether these are acquired through school or practical experience.

"The concept of true competence must also include personal ability," Holst said.

The Officers' Initiative Committee's motion concerning day nurseries at a cost of 13 million kroner has been approved. "The pilot projects will ensure up to 178 day nursery places, a not inconsiderable increase in day nursery coverage in the municipalities affected," Holst said.

Various forms of financing have been chosen for the projects in Malselv, Bodo, Trondheim and Bergen: The armed forces will either be co-owners or will have a certain number of places at their disposal, or a joint effort with the municipalities will be aimed at.

"For the time being we have not accomplished a joint effort in Bergen and Trondheim," [said Holst].

8831

Brigades in 'Most Exposed' Locations To Get More Firepower

36390047a Oslo AFTENPOSTEN in Norwegian
17 Mar 88 p 3

[Article by Hans C. Erlandsen: "Vulnerable Brigades Get More Firepower"]

[Text] The Army will retain its 13 brigades, but those that will be used in vulnerable areas will be given a higher priority and they will receive more firepower, greater mobility, and stronger tank protection. Defense Minister Johan Jorgen Holst stated this, as he slightly lifted the veil surrounding the military's long-range plan.

It seems that the government wants to follow the recommendations presented in the defense study of 1985, which was backed by the Supreme Military Command. Holst gave no indication, however, of the financial framework the military wants to work with during the years to come.

Of the country's 13 brigades, 3 will be armored, 4 will be mechanized, and the remaining 6 will be infantry brigades. All the brigades will be given better air defenses.

Plans are to coordinate the efforts of these brigades by establishing three regional commands for northern Norway, Trondelag and Ostlandet, respectively.

90,000 Men

"We intend to maintain the capacity and level of the Home Guard at today's level, with a target of 90,000 men," Holst said.

The military level of the Navy will increase in the years to come. At present, new submarines are being built and 10 to 12 new motor torpedo boats will be constructed by the year 2000. The number of ships in the various classes will be maintained, apart from the minesweepers. In this area, Holst would not indicate the goal, relative to the 10 ships that are to be replaced.

With regard to the Air Force, the defense minister believes that the number of fighters will decrease somewhat, even though 20 new planes will be purchased to replace the F-16's that will be withdrawn from service. The types and number of planes in the Air Force is presently the subject of an intense study at the Defense Research Institute.

"The drop in the number of fighters will increase the importance of our allies' plans to send reinforcements," Holst said.

Long-Range Plan

AFTENPOSTEN has learned that the military's long-range plan is expected to be complete within 1 month. The defense minister has followed work on the plan very closely. It will indicate what the Norwegian military will look like during the coming years.

"We have seen no increase in the number of ships or submarines in the Soviet Northern Fleet during the past few years, but there has been a steady increase in that fleet's effectiveness since new types of ships and weapons have been introduced and the fleet has undergone modernization," Johan Jorgen Holst said.

Mainstay

The land-based forces on the Kola Peninsula that could conceivably be used against Norway have not increased in number, but they have been modernized and their firepower increased. In principle, introduction of the new Soviet air monitoring plane II-76, the Mainstay, will make it possible for the Soviet Union to contest Norwegian air superiority far into Norwegian airspace.

09336

Closer Arms Cooperation With France Weighed

36390048b Oslo AFTENPOSTEN in Norwegian
21 Mar 88 p 41

[Article: "Will Arve Johnsen Become a French Arms Salesman?"]

[Text] The Defense Ministry is taking a positive position on plans concerning a new marketing company for French airplanes and defense materiel in Norway. Ex-Statoil chief Arve Johnsen has been offered the managing directorship of the planned company, while Kongsberg Vapenfabrikk [Arms Plant] Marketing Director Jens Ch. Width has been offered the post of day-to-day head.

Neither Johnsen nor Width have reportedly answered the offers for the time being. According to what AFTENPOSTEN has learned, this is one of several alternatives Width is considering. Both he and the ex-Statoil chief were away on the weekend and not available for comments.

The Norwegian Caseb Aviation A/S [Inc.] company is to hold the majority of the shares in the planned marketing company for French airplanes and defense materiel. NTB [Norwegian Wire Service] reports that the Office Generale de l'Air (OGA) will be the joint venture partner on the French side. It is first and foremost airplanes and helicopters that the planned company will concentrate on marketing. Caseb Aviation Managing Director Carl Sejersted Boddtker tells NTB that replacement of the rescue service's old Sea King helicopters with French Super Puma helicopters is the most interesting marketing opportunity for the short term. For the somewhat longer term he calls attention to Dassault's "Rafale" fighter plane as a competitor of updated F-16 planes and Swedish fighter planes for Norwegian defense.

Positive

The Defense Ministry is welcoming a new marketing company for French defense materiel in Norway. "The ministry sees it as a very positive step that French-Norwegian cooperation in defense technology is being further developed in this way," Defense Ministry department head Chris Prebensen says to AFTENPOSTEN.

8831

SWEDEN

Tighter Guarding of Military Areas After Submarine Intrusions

Submarine Noise on Tape

36500083a Stockholm DAGENS NYHETER in Swedish
19, 20 Mar 88 p 7

[Article by Anders Ohman]

[Text] The Navy tape recorded a burst of signals from foreign underwater vessels in the Rindo region near Vaxholm during the submarine incident last year.

A 28.8-meter-long foreign underwater vessel was discovered in Swedish territorial waters. The contour of the submarine registered clearly on the paper tape of the sonar. Two hours later, submarine noises were recorded by the Navy. The same submarine noises have been listened to and played back during 1987 in several places on both the east and west coasts.

Minisubs

All essential submarine observations concern various types of foreign minisubs or other underwater vessels. Known conventional submarines have not been observed in Swedish waters in a very long time.

This was revealed by the supreme commander, Gen Bengt Gustafsson, on Friday during a seminar on submarines for journalists. He lifted the veil of secrecy a little around the most recent reports of incursions presented by him before Christmas, reports which resulted in sharp statements by the government regarding the need to halt the submarine incursions.

The articles, critical of the submarine threat against Sweden, in DAGENS NYHETER and other newspapers, were the supreme commander's reason for relaxing military secrecy a bit. It was a sometimes grim and severe supreme commander who began to speak. The military leadership did not want to deny but rather clarify and explain, so that there would be no doubts that foreign underwater activity has been aimed against Sweden.

"I suppose I am a little hypersensitive," said the supreme commander, who earlier had emphasized that during the summer of 1987 he himself had gained more substantial and detailed knowledge of the foreign underwater activity carried out against Sweden than he had before.

Proof of Signals Obtained

What was news in the supreme commander's presentation were details about last year's incursions. In the Rindo area in May a person saw a small tower breaking the surface of the water. In the same region the Navy has obtained proof of bursts of underwater signals from foreign subs assumed to have communicated with one another. That technique for rapid transmission is well known to the military and is used by commando units during reconnaissance missions in order to be able to communicate with their base without revealing their position. Bursts of signals from Rindo have been intercepted by sonar, the supreme commander said.

The bottom tracks found in domestic Swedish waters by the Navy in 1987 originate from an underwater vessel with caterpillar treads which acted intelligently. This was indicated by, among other things, accumulations of rocks in the caterpillar tracks.

One of the most definite incursions last year occurred in Braviken, south of Oxelosund, in a militarily sensitive area. Initially, the Navy's antisubmarine force had the initiative over the violating power, the chief of the Defense Staff, Torsten Engberg, confirmed at the supreme commander's conference.

A foreign diver on an underwater scooter was seen at such close range that the observer considered tearing off his mask with the boat hook, the supreme commander recounted.

An interesting technical indication was the sonar observation of a 28.8-meter-long foreign underwater vessel. The graphic image of the sub is so clear that it has been possible to determine close to exact measurements for it. Two hours later submarine noises were recorded near the place of observation. The Navy has recorded the same sounds several times since 1984; most recently a Swedish submarine recorded those same noises in Swedish territorial waters in December 1987.

In the assessment of evidence undertaken by the supreme commander together with the government's special working group, the time period of 2 hours between the observation of the 28.8-meter submarine and the sound recording was discussed. It did not have to be the sound from that particular sub, the sceptics said.

"There was no other ship on the surface," the supreme commander said.

Foreign underwater activity against Sweden is undertaken largely by minisubs, smaller diving vessels or divers.

Concern About Sabotage Threat

36500083a Stockholm DAGENS NYHETER in Swedish
19 Mar 88 p 7

[Text] TT—The increased threat against the nation's security and the greater risk of sabotage has caused a committee to propose tighter access controls for military and civilian installations.

The Committee on Access Protection has proposed a new so-called protective law to Defense Minister Roine Carlsson. It is primarily intended to safeguard military installations against espionage and sabotage.

In the proposed new protective law the area of application has been expanded to include the civilian part of the total defense as well. This means that it will be possible to protect essential civilian installations as well against espionage and sabotage by, for example, prohibiting access by unauthorized people.

"The committee does not specify in detail, but such facilities could be harbors, airports, railyards and important administrative buildings," TT was told at the Defense Ministry.

In order to meet the threat to the nation's security, the committee proposed allowing decisions to ban access to areas where there is fear of or where there have been incidents of violations or sabotage.

An authority can consider introducing, for example, prohibited access not only because of the risk of espionage or sabotage, the committee says. The authority can also in some cases take into account the risk that damage might be inflicted on the general public. This could be the case for instance when it is anticipated that there is a need to use weapons.

Newspaper Comments

36500083a Stockholm DAGENS NYHETER in Swedish
20 Mar 88 p 2

[DAGENS NYHETER Editorial]

[Text] The supreme commander did not present any encouraging data during his information session on Friday regarding ASW. In inner waters the Navy does not have time to get there fast enough to check what could be behind optical observations, that is to say ordinary visual impressions of unknown underwater objects.

The defense leadership's aim was obviously to disprove unsubstantiated, extreme ideas that very extensive incursions take place, or none at all, respectively. A reportedly somewhat stiff supreme commander apparently wanted above all to counter the impression that the military lacks precise knowledge regarding minisubs, which was asserted in a DAGENS NYHETER article.

In looking at what was actually said by defense sources, it was confirmed that there was uncertainty as regards the occurrence of certain conceivable systems. For the first time it was stressed in this issue that no observations have been made of ordinary violating submarines since the Harsfjarden report was written! Information about coordinated operations involving a mother sub and minivessels are perhaps mostly founded on guesses about the tactical behavior and technical capability of a presumed intruder?

The listeners were given a suggestive description of how, by means of sonar observations, the Navy has created a graphic image of an object with a submarine-like appearance and carefully measured dimensions. Obviously, it gives a strong impression in military analysis work to get eyewitness testimony about foreign divers on underwater scooters within the range of a boat hook! As for intercepted sounds, one would like to know more about the difficulties of determining distances particularly in the layered waters of the Baltic Sea; the Defense Research Agency is said to be working on this.

The piece of information that, against the rules of the game, the intruders dared transmit signals that were intercepted was astounding. It was also the first time that "intelligent" bottom tracks were said to indicate how the track mechanism was constructed.

One noticed that Gen Gustafsson took the opportunity clearly to indicate the Soviet Union without mentioning any names: Who has narrow base regions and needs holding positions for wartime operations? Who can most easily handle domestically the scandal of a discovery? And so on. Although much remains secret, it is valuable that the supreme commander has lifted the veil ever so slightly. All of us get a bit more opportunity to see how he and his people reason—and on what basis.

11949

Columnist Cites Shortcomings in Security Debate

36500083b Stockholm DAGENS NYHETER in Swedish
18 Mar 88 p 2

[Commentary by Per Jonsson: "Swedish Security Debate—Within Orthodox Framework"]

[Text] Compared for example to the United States, the FRG and our neighbor Norway, there is not much straightforward security policy debate in Sweden. Rather, it is in the surrounding world, and primarily in NATO circles, that old "truths" and new arguments about Swedish security policy are being scrutinized nowadays.

This is an approximate summary of the central message of the Foreign Policy Institute's "yearbook" (published biannually) "Fred och Sakerhet 1986-87" [Peace and Security 1986-87], just issued from the printer's.

If this harsh evaluation of our security debate is correct, it might, of course, have something to do with the lack of access to competent, independent debaters. The supply of analysts trained in the field is nearly non-existent at universities; most specialists are absorbed or cultivated within the foreign affairs and defense authorities. In the mass media there are remarkably few journalists devoting themselves entirely or partially to security policy. The peace research institute SIPRI is a relatively un-Swedish institution, aimed primarily at an international public. And there is scarcely any need to point out the fact that Swedish politicians and military people are limited by group interests.

Against that background, UI's [Foreign Policy Institute] periodical anthology on security policy is considered to represent an unusually heavy-weight contribution to the Swedish debate. For where does one otherwise find more than a dozen good, international-class essays in our language on security and armament issues with Swedish connections—and, furthermore, written without noticeable domestic policy inhibitions?

Here are found for example useful corrections of the smugly optimistic interpretation of the results of the Stockholm Conference which has prevailed in Sweden—although Johan Tunberger's overall grade for the new package of military confidence-inspiring measures is cautiously positive.

In an unbiased review of the security policy of non-aligned Europeans, American Joseph Kruzel draws the conclusion that on the whole it provides the NATO alliance with greater military advantages than it does the Warsaw Pact—something official Sweden would never openly admit.

The book devotes a great deal of attention to the fact that the naval armament by the superpowers of the northern flank during the 1970's and 1980's—the United States' offensive "new naval strategy" and the Soviets' priority base system around the Kola peninsula, respectively—must logically worsen Sweden's strategic position in case of a major European war. However, here one feels a lack of evaluation of the meaning of fresh new trends in the opposite direction—the suddenly initiated U. S. reduction of its "600-ship fleet," as well as the Soviet Union's markedly reduced naval ambitions since the days of Admiral Gorshkov.

Nevertheless, the yearbook delivers at least one non-alarmist, and therefore almost odd, standpoint precisely as regards the Nordic arena. History professor and UI director Bo Hultdt turns decisively on those who in the debate about submarine incursions and superpower intentions in the Nordic region maintain that the Nordic, formerly low-tension, region has now turned into a high-tension region in Europe:

"This provides a fundamentally wrong picture of the situation. The Nordic region remains a low-tension area as long as political stability in the Nordic countries remains, as long as no dramatic turnaround takes place in the choice of security policy courses in these countries and as long as the two superpowers in (and in connection with) the region refrain from a direct confrontation."

On the other hand, Hultdt points to what in from conventional Swedish security policy perspective is likely to appear as a paradox: While the overall top-level political scene today seems brighter than at any time since the invasion of Afghanistan in 1979-80, for Sweden the horizon has darkened in nearly all directions.

Regardless of which definition is used for the concept of "security," Hultdt writes, "it would not be deceptive to describe our most recent history in terms of a catastrophe." He is, of course, referring to perceived, uncontrollable submarine incursions, the mysterious murder of the prime minister, the economic crisis in the Armed Forces, legal and arms export scandals seemingly beyond all control, demonstrated defenselessness against transnational environmental collapses of type Chernobyl,

etc.—in addition to Sweden's dilemma of gradually being forced into EC cooperation and simultaneously being cut out of membership for self-imposed reasons.

Simplified, thus: Renewed detente between East and West, parallel with a security policy crisis in a broad sense for Sweden. Usually, it has long been something of a universal truth that our own security increases at the same rate as improvement in the climate between the superpowers, and vice versa.

Bo Hultdt ascribes the low degree of psychological receptiveness in Sweden for such unexpected—and unwanted—shifts in perspective to the "orthodox" character of the Swedish security debate. There is, in his opinion, a tendency in all situations to require agreement about and unity around properly made decisions and established truths. If the debate temporarily careens away over the shackles, disciplined elements rapidly intervene to guide it back within certain frameworks—the most obvious of which is nonalignment, the neutrality policy.

Actually, this represents more serious criticism of the Swedish security debate than emphasizing the lack of independent professional debaters in the field. It should be noted here, however, that although "Peace and Security" contains a fair number of fresh analytic steps, the book is not exactly crawling with unorthodox, concrete answers to the question: "What should be done?"

It also is not necessarily logical to assert, as Hultdt does, that "the precondition for a rally around our national, nonaligned course is an active and free exchange of opinion" on security issues (after all, nonalignment was just described as a debate-hampering framework!)

For if researchers, journalists and other free debaters, perhaps even military people and politicians, burst out of all the "frameworks" on a broad front, the result, at least theoretically, could be deep national dissension about the value of nonalignment itself. And that would be something not even the silent critics of the policy of neutrality would wish for.

11949

New Arms Sales Scandals Behind Effort To Tighten Legislation

Government Presenting New Laws

36500075 Stockholm DAGENS NYHETER in Swedish
2 Mar 88 p 6

[Article by Sven Svensson]

[Text] For the sake of clarity, the government is proposing completely new legislation on the export of war material, instead of getting bogged down in changes.

That is the result of the guidelines laid down by a commission investigating the foreign activities of the Swedish defense industry last year.

Before the new law is presented to the parliament it will go to the legislative council for review. The government hopes the new law will become effective as soon as 1 July of this year.

There are still several unclear points in the wording of the law. Especially with respect to the cooperation between Swedish industry and foreign manufacturers of war material. That is the area where the government so far has had trouble coming to an agreement, mainly due to the traditional opposition within the Social Democratic Party on the question of defense and the illegal export that took place, among others that of Robot 70.

Cooperation

According to the commission's proposal, each planned cooperation with a foreign company must first be submitted to the government for review of the joint development and manufacture of war material. What is of immediate concern is the joint effort between Sweden and England in designing a radar air-to-air missile for the JAS fighter plane.

Every year it may be a question of reviewing 15 cooperative agreements on development and production of war material, in order for Sweden to be able to keep up with long-term technological developments in the war material field.

The reason for the government's agonized contemplation of extending the cooperation between Swedish and foreign companies is the fact that war material must be tailor-made for the Swedish defense profile.

So far countries in Western Europe and the United States have been the central points in the defense cooperation.

When discussing a cooperative agreement with another country, the government must take into consideration the export rules adhered to by the other country.

The possibility exists, however, of specifying the time of delivery of either partial systems or certain quantities.

A special citizen's commission, chaired by Ambassador Olof Rydbeck, is currently studying Swedish arms exports and it is expected to be finished in May.

In connection with this report, the government is going to appoint a special committee on arms exports. This committee was requested by the social-democratic party congress last fall and is meant to investigate whether there is a need for exports in order to maintain and develop a strong Swedish defense industry.

Several speakers wanted Swedish arms exports to be limited to the Nordic countries alone.

Wide Backing for Bill

36500075 Stockholm DAGENS NYHETER in Swedish
3 Mar 88 p 7

[Article by Sven Svensson]

[Text]The government wants to create a broad unity on future arms exports. Therefore, the committee that was requested by the social-democratic party congress last fall, will now be transformed into a parliamentary committee.

This committee is also going to design the rules for cooperation between Swedish and foreign arms manufacturers.

The social-democratic parliamentary group has approved a proposal for new war material export legislation, but the question of cooperation between Swedish and foreign arms manufacturers was not considered sufficiently investigated.

Cooperation Important

Cooperation with foreign arms manufacturers is considered necessary in order for the Swedish defense to have access to sufficiently effective weapons which furthermore can be adapted to Swedish conditions.

The parliamentary committee on Swedish arms exports is expected to be appointed in May, after Ambassador Olof Rydbeck's citizen's commission has published its report on illegal Swedish arms exports, for instance, to Singapore.

While waiting for the investigation into Swedish arms exports to be done about 1 year from now, the government is going to handle all matters concerning Swedish arms exports with great care; this includes any cooperative agreements between Swedish and foreign arms manufacturers.

Broad Unity

In both cases, the prerequisite for a positive decision is that there be broad political unity on the fact that a permit should be given. Before the government makes a decision the matter must first be reviewed by the legislative committee in charge of arms export questions and then by the foreign affairs committee.

What is of immediate concern in the area of cooperation is the design and production of a radar air-to-air missile. An agreement between Swedish and English arms manufacturers is being considered.

Newspaper Criticizes Bill's Shortcomings

36500075 Stockholm DAGENS NYHETER in Swedish
4 Mar 88 p 2

[Editorial: "Cosmetic Arms Export"]

[Text] The government is now going to fulfill its promises from last fall about the arms exports. It is proposing a new bill but not a new policy. The most important and contentious questions are being referred to a new parliamentary committee.

What is being investigated is the degree of dependence the Ministry of Defense has on being able to export. Can the export be "reduced or completely cut off" without danger to our own defense and our neutrality policy? In addition, the committee is going to analyze the consequences of arms imports and of cooperative agreements with foreign industry. In the meantime, it is said about the most sensitive of all unsolved arms questions, "the government will give special attention to any resale export in connection with the cooperative agreements."

For the time being, the government does not want to change the guidelines for the countries to which Sweden is allowed to export arms. The reference to the legislative committee last Thursday contains all the usual words about stricter rules, applications and controls, but it is difficult to be convinced of the seriousness of its intent when the government does not want to do anything about the basic problem.

A number of arms scandals demonstrate that we have to make a stricter selection of the receiving countries. The current guidelines do not take into consideration whether the receiving country is a democracy or a dictatorship, whether its regime is a dependable cooperative partner, whether corruption is common or whether great political changes are probable. Nowadays a permit to sell arms is a long-term undertaking. That is a strong reason for greater restrictions.

The government says that if a country redistributes Swedish arms, it will affect the possibilities of continued deliveries. The principle should be that new export will not be allowed. The fact that such a matter of course is presented as an example of "stricter rules" is fairly illuminating.

The government wants to close a few loopholes and increase the supervision of the export companies. That is quite legitimate, but the effect seems uncertain as long as such free rein is given to the arms export as now. So many basically dubious transactions have been made according to the formal rules that it has made morals lax.

Proposals for increased governmental supervision and control do not make a strong impression when the government itself, in the guise of the Defense Manufacturing Works, is misleading about its own arms exports. How many in the trade or among authorities concerned have known the truth about Carl Gustaf and the British manufacturing under license? Such things make people believe that the export restrictions are only cosmetic.

12339

Increased Early Resignations by Army Officers

36500083c Stockholm DAGENS NYHETER in Swedish
14 Mar 88 p 20

[Article by Anders Ohman: "More Officers Quit"]

[Text] The shortage of officers in the Army could worsen if the Army's peacetime organization is to be cut back by 10 regiments according to the indications in Supreme Commander Bengt Gustafsson's defense study.

That is what the Officers Association SOF (SACO/SR) says, fearing that half of the approximately 2,500 affected Army officers might transfer to civilian activities.

"What is negative about the Defense Study (FU 88) is that it is being forced to move along at such a rapid pace. A study under pressure threatens job security and may have impact on confidence in the state as an employer in a large number of other places," says Rune Carlsson, SOF's ombudsman for the Army.

Thursday, the Army chief, Lt Gen Erik G. Bengtsson, expressed his opinion of FU 88 to the supreme commander. If the Army's wartime organization is to be reduced by 10 brigades, the same number of regiments must be disbanded. Primarily central and southern Sweden will be affected by the closings. The Army chief describes the situation in the Army as an imbalance between tasks and resources. Personnel vacancies are numerous, more than 1,000 career officers.

From the union's viewpoint, a slimming of the Army peacetime organization is not wholly negative. The balance between tasks and resources could in part be restored.

"In the future, officers could be faced with tasks that could be solved," says Rune Carlsson.

The officer corps is basically positive toward rationalization. On the other hand, if the request is made that they move to another location, many will choose to quit and start a civilian career. Officers are sought after in the labor market.

When A6 was disbanded in Jonkoping, less than 30 percent of the officers stayed in the Army.

Forceful personnel policy measures are sought within SOF in order to try to stem the flight of officers which could occur after implementation of FU 88.

"I will take personal responsibility for affected personnel where that could become necessary," Army Chief Erik G. Bengtsson tells DAGENS NYHETER.

For those officers who choose to stay in their profession and move to a new duty station, the Army chief will work out a special personnel package. The personnel will know about preconditions that apply to the shutdown and move well ahead of a decision about closing.

Those officers and civilian employees who do not want to move to other units are to be given support and help in seeking other jobs.

11949

ITALY

Purchase of Foreign Companies Extensive in 1987 *35280114b Milan MONDO ECONOMICO in Italian* *14 Mar 88 pp 60-62*

[Article by Marco Niada]

[Text] The year 1987 has been a veritable turning point in respect to mergers and acquisitions, in that Italian firms for the first time have launched an assault on the international markets: in 12 months a total of 57 Italian companies have made acquisitions in foreign countries. The sector that has demonstrated the greatest vitality in this regard is the banking and insurance sector; here, Italian firms have succeeded in acquiring a total of 10 foreign institutions. Difficulties have been encountered in only one market: that of the United States.

The year 1987 can be described as a watershed year for the internationalization of Italian business enterprises. For the first time, in fact, the steady tide of foreign acquisitions of Italian firms—a phenomenon that gained fresh impetus in 1982 and 1983—has been accompanied by a veritable assault on foreign markets by Italian private industry, which is determined to obtain control of a significant number of foreign companies.

Led by the Ferruzzi-Montedison group—which by itself has concluded transactions for a total value of more than 4 trillion lire—the Italian firms have in fact put together a compact series of acquisitions, concentrating their efforts particularly in the sectors of food growing and processing, banking and insurance, chemicals and pharmaceuticals, automobiles and automobile components, and cement.

The strong effort made abroad by Italian firms has been of unexpected dimensions, increasing from 21 acquisitions in 1985 to 40 in 1986; and last year a total of 56 Italian companies concluded such transactions abroad, compared to the 57 acquisitions that were made in Italy by foreign firms. This fact is encouraging, for it confirms—at a much higher level—the effective numerical balance achieved in 1986 between “incoming” and “outgoing” investments. That year, in fact, as 40 foreign acquisitions were being made in Italy, Italian firms finalized an equal number of acquisitions abroad and thereby reversed the trend established in 1985, when foreign firms made approximately 40 acquisitions in Italy—twice the number of Italian acquisitions made abroad.

The ratio between Italian acquisitions in foreign countries and foreign acquisitions in Italy is even more interesting when we consider the value of the transactions. Despite the fact that financial openness is unfortunately not an outstanding feature of this type of operation here in Italy (although the same can be said of many countries in continental Europe, and of the Federal Republic of Germany in particular), it can be stated

with a good degree of accuracy that Italy has spent—to acquire firms in foreign countries—approximately twice as much as the foreign firms have invested in our country. This is an important sign, for it shows the diligence that has characterized the effort made by our firms to recover the ground lost to our international competition—after a cumulative delay of decades.

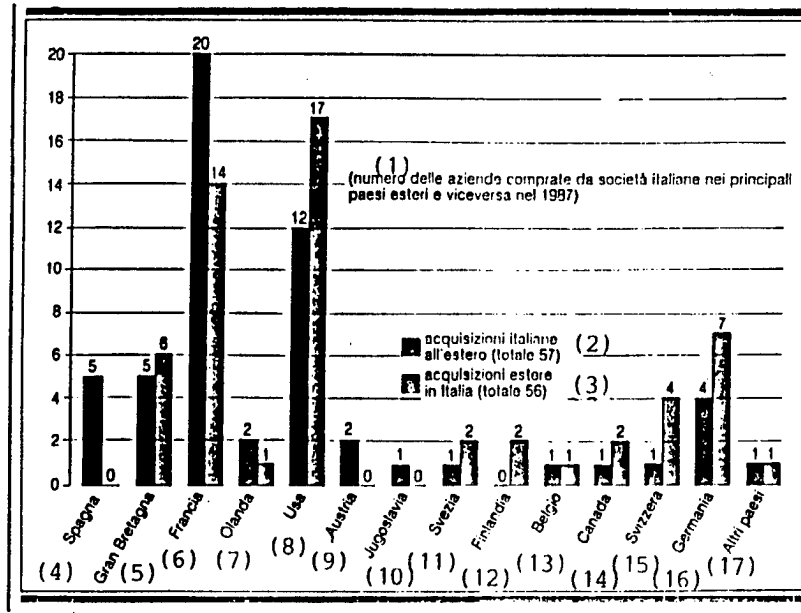
The sector in which the Italian firms have shown the greatest vitality has unquestionably been the banking and insurance sector: with 10 acquisitions (compared to 5 foreign acquisitions in Italy), our firms in this sector have made a veritable leap forward—qualitatively speaking—in the area of financial integration, especially on a European scale. Equally important is the effort that has been made in the chemical and pharmaceutical sector (six acquisitions compared to seven foreign acquisitions in Italy) with the aid of a great abundance of financial resources—and in particular the effort made by Montedison. Lastly, there is the commitment made in the sectors comprising automobiles and automobile components (6 acquisitions abroad compared to 6 foreign acquisitions in Italy); cement and glass (4 versus none); machinery (4 versus 8); and the food sector. In the latter sector, unfortunately, the absence of a large-scale Italian industrial establishment has made itself felt once again: the 4 Italian acquisitions abroad were reciprocated by 10 foreign acquisitions in Italy, many of them made by the French group BSN Danone, in which IFIL did, however, participate in its turn with a small but significant 4.3 percent interest.

The massive attack by the Italian firms abroad has been concentrated largely in Europe: of their total of 56 acquisitions in foreign countries, 41 have in fact been made in Europe and 15 in non-European countries. This statistic is quite in line with the foreign investments in Italy (37 made by European countries and 20 by non-European countries), and demonstrates the fact that economic integration with the EEC primarily—but also with lesser economies such as the Scandinavian, Swiss, and Austrian—is proceeding apace.

And finally, an interesting signal is coming from the American market, toward which our firms have begun to manifest a growing interest: during 1987 Italian firms did in fact make 12 acquisitions in the United States and one in Canada (compared to 17 made in Italy by the United States and 2 by Canada), thereby demonstrating a desire to begin playing the entire field with respect to globalization, in the wake of the other major European groups. We are unfortunately only making a beginning, and there is a lot of ground to be made up vis-a-vis the competition.

The financial effort required in order to get a foothold in the U.S. market is truly enormous; and in the light of the growing capacity for intervention demonstrated by the Japanese, only a few large private and public groups appear to be in a position to meet the challenge. Alongside groups such as Ferruzzi-Montedison, AGIP

Italy on the Attack Against the Label "Made in France"



Key:

1. Number of firms purchased by Italian companies in the principal foreign countries (and vice versa) in 1987
 2. Italian acquisitions in foreign countries (total 57)
 3. Foreign acquisitions in Italy (total 56)
- | | | |
|--------------------|----------------|---------------------|
| 4. Spain | 9. Austria | 14. Canada |
| 5. Great Britain | 10. Yugoslavia | 15. Switzerland |
| 6. France | 11. Sweden | 16. Germany |
| 7. The Netherlands | 12. Finland | 17. Other countries |
| 8. United States | 13. Belgium | |

[National Italian Oil Company], and Italcable, however, some medium-large companies such as Italcementi, GFT, and Guala have demonstrated that if one operates with determination, expansion into the United States is not impossible.

The tardiness manifested by our firms in the American market (and to some extent also in the European market) is, moreover, a reflection of the unique nature of our economy, which is characterized by only a few firms (and almost all of these are affiliated with large private or public groups) that are capable of developing suitable dimensions in one or several product lines in the wake of the international giants. The data for 1987 make this point quite clearly. Of the 56 Italian acquisitions made abroad, 40 were carried out by firms that were part of large private and public groups. The trend with the "incoming" investments, however, was exactly the opposite: of the 57 acquisitions only 9 were made by firms that were part of conglomerates, and the great majority consisted of "monosectoral" companies more than 30 of which were multinational in scope.

This "monosectoral" phenomenon is also reflected in the type of acquisition made: fully 45 of the foreign acquisitions in Italy were acquisitions of 100 percent of the companies in question—an indication that the foreign firms are resolutely determined to achieve a substantial increase in their respective market shares. In the case of the Italian firms, only 25 were 100-percent acquisitions, and many of the remaining 31 were in the nature of financial participation.

In conclusion, although Italy has embarked forcefully on the road to internationalization, much of the road to giantism has yet to be built.

10992/06662

1987 Crude Production Up 44 Percent Over 1986
35280114a Rome LA REPUBBLICA in Italian
11 Mar 88 p 6

[Text] Italian crude oil production has always been regarded as almost insignificant, and indeed, the quantity extracted in our country is a tiny fraction compared to the approximately 70 million tons of crude that we import annually. It is, however, a fraction that is increasing at a truly dizzying pace, so much so that it is now beginning to represent a not inconsiderable "slice" of our energy supply. In fact, more than 3 million tons of crude were produced in Italy in the first 10 months of 1987—an increase of 44.9 percent over the same period of the previous year. It is the first time that Italy has surpassed the "barrier" of 3 million tons; and the overall total—including the figures for November and December—probably reached 3.5 million tons (1 million more than the quantity produced in 1986). The savings achieved in terms of imports is not very large but it is beginning to represent an appreciable percentage, when

you consider that the overall impact has almost certainly exceeded 5 percent (while domestic production was increasing, imports decreased by 7 percent).

10992/06662

Inflation of 4.5 Percent Predicted for 1988
35280109c Milan ITALIA OGGI in Italian
25 Feb 88 p 8

[Article by Giannetto Mancini]

[Text] Rome—There are encouraging signs on the inflation front. We recorded a rise of 4.6 percent in 1987, which should be further reduced in 1988: to the 4.5 percent that the Government is forecasting, to be exact. This information was provided by Unioncamere, which yesterday released the recurrent "Price Trends Report" produced by the Institute for Social Research (IRS).

Of course, this favorable movement will carry through only if certain conditions continue to hold, and if particular domestic conditions are observed. Very small shifts in economic trends would suffice to reactivate the inflationary spiral, perhaps in more violent form. This is the reasoning of Professor Carlo Dell'Aringa of IRS and Unioncamere advisor Luigi Pieraccioni in their comments on the report.

The most reassuring factor, whether in the 1987 results or in the current-year forecast, is the steady reduction in the inflation-rate differential relative to Italy's partner countries: since 1986, this indicator has fallen from 4.5 percent to 1.9 percent in 1987, and will drop again to 1.1 percent by the end of the year. In other words, things have gone better in this country than elsewhere. Realignment with worldwide economies of course puts Italian industry in a better competitive position.

The "Report" notes, in any case, that "the inflation rate planned for seems to be within reach and can be achieved, given the expected international factors and the private-sector labor-cost trend that is already largely determined, provided that the Government follows a consistent line in establishing public price policies."

More specifically, the conclusion advanced here rests on 3 forecasts: an average per-barrel oil price of \$16.80; a dollar exchange rate of 1,210 lire; and a 6.4 percent rise in labor costs.

Another forecast concerns the behavior of labor costs per unit of output: taking productivity increases (amounting to 3 percent) into account, this variable should not rise more than 3.3 percent.

"The inflation curve at the consumer level," concludes the document, "is downsloping." And it is the food sector that has "made a positive contribution to the containment of the inflationary movement." In fact, at yesterday's meeting of the Price Observatory, which

scrutinizes 36 of the most widely-used products, almost all food items, it was found that by February, producer prices as a whole had risen only 0.2 percent (an annual rate of 1.2 percent). And at the consumer level the rise was barely 0.1 percent. The gap between wholesale and consumer prices is tending toward a noticeable reduction, and this too is a very significant factor.

13070/06662

BNL Predicts 2-Percent Growth for 1988
35280109b Rome AVANTI in Italian 23 Feb 88 p 6

[Text] Forecasts for the Italian economy are improving. The Banca Nazionale del Lavoro (BNL) reports that a more favorable scenario can be glimpsed in our system's macroeconomic trends. The real GDP growth for 1988 should be around 2 percent, that is, above the EEC average (1.7 percent) and in line with that of the OECD (2.1 percent). Among the industrialized countries, only Japan will have a GDP increase (3 percent) greater than that of Italy over the year.

The favorable trend in international conditions will support "a continuation of worthwhile rates of output growth, although slower than in the first part of 1987." The growth trend for imports, according to the BNL, should be 4 percent. A certain amount of recovery in exports should offset a clearcut slowdown in domestic demand (from 4.6 percent growth in 1987 to 2.4 percent). Inflation should be limited to 4.7 percent as of the end of May.

The non-monetized financing of the public sector (cash deficit 110 trillion, about 10.5 percent of the gross national product) "appears to be more manageable" than November's scenario suggested. From this flows the "chance to resume the process-interrupted during 1987—of lengthening the average public-debt maturity."

The average interest rate "is projected to remain consistently above expected inflation: the differences should fluctuate between 0.25 and 0.50 percent." The increased competition that will develop among credit institutions after the elimination of restrictive measures will bring about "a considerable fall in the average interest rates on loans." The change in average interest rates is to be foreshadowed by a reduction (now underway) in the "prime rates" of the most important institutions.

The favorable overall developments for Italy Inc. were described last Saturday in a statement from the prime minister's office that had been drawn up based on the latest data made available by ISTAT [Central Statistics Institute].

The surge in the national economy "is all the more significant," states the document, "when we note that it is accompanied by a consistent and sustained upswing in international sales and orders."

A favorable competitive position on international markets, along with a domestic business picture featuring sustained expansion, is a reassuring sign for the state of the economy.

Industrial production booked a 3.9-percent increase in real terms, evidence of a continuously favorable trend since February, and especially good results in the last 2 months of the year, amounting to 7.3 percent in November and 5 percent in December above the corresponding months in 1986. And industrial production showed sustained growth in important manufacturing sectors such as the electrical and electronics industry, precision-tools and machines, the wood and furniture industry, and the automotive industry.

"The growth in industrial activity," continues the statement from the Palazzo Chigi, "although supported primarily by sustained trends in domestic private consumption, seems to have found significant stimulus in an upswing in foreign demand during the last months of 1987, as evidence by the most recent available data on trends in industrial sales and orders, which recorded increases of 14.8 percent and 9.2 percent respectively in November, with considerable contributions from the foreign sector."

13070/06662

Government To Revise Economic Aid Policy Toward Third World
35280109a Rome IL MESSAGGERO in Italian 20 Feb 88 p 14

[Article by Rina Goren]

[Text] The pictures of the 1985 famine, with their ragged skeletonlike multitudes, have faded, but the terrifying spectacle of hunger has never ceased to reappear. And while this scourge is killing tens of thousands of people every day—and keeping hundreds of millions close to death—it is being mentioned less and less at international gatherings. In Italy, not at all. Only Pope Wojtyla returns often to the subject, and just yesterday devoted an encyclical to it.

Moreover, after the furious polemics of years past, new Italians law was passed (about 12 months ago) practically in silence, even though it was sweeping away the two agencies within the Foreign Ministry that used to compete for best "cooperator" with the abandoned Third World. Now there is a single Development Directorate, on paper a model of efficiency and advanced strategies, but still in the embryonic stage, largely due to the ongoing political crisis that has frozen the planning and resources needed for putting it in service. We asked Mario Raffaelli, Socialist undersecretary who chairs the Steering Committee, to help us understand the innovations and plans—even though any final judgement would

be premature. The Steering Committee is a new coordination body which issues directives on implementing the general guidance laid down by the Interministerial Committee for Cooperation, and which examines annual planning.

"Rather than increased outlays, what is wanted is the provision of more effective aid," explains Raffaelli, who is 41 years of age and plain-spoken—far removed from Foreign Ministry circumlocutions. Italian appropriations have in fact already grown almost exponentially, going from 1.25 trillion in 1981 to the current 4.70 trillion, which represents 0.4 percent of the Gross National Product—while the average for OECD countries is 0.35 percent. Italy, the last country to show up in the world of cooperation, has within a few years reached fifth place among donor countries, after the United States, Japan, France, and West Germany. The operational structures, however, have been defective. For this reason, Law 49, besides reorganizing the top of the agency, has introduced the Central Technical Unit, to which remote on-site units in the beneficiary countries will be reporting.

[Question] Many European nations have Cooperation Ministries. Just why hasn't Italy opted for an institution to some degree independent of the Foreign Ministry?

[Answer] This kind of solution requires a homogeneous Government. With us, with our need for coalitions, there was the risk of creating conflict situations among the agencies. In one European country, for example, there was a dramatic confrontation between the Minister for Underdevelopment, who has decided on a program in Nicaragua, and the Foreign Minister, who opposed it. This was, furthermore, a conscious choice inasmuch as the law regards cooperation as an essential instrument of Italian foreign policy.

[Question] In other words, it is not the poorest per se who are aided, but the poorest among our friends.

[Answer] We do assume that the logic of the "shotgun" program—that is, of maintaining a presence, be it only with scraps, wherever there is hunger, or of providing a little of everything in a given country without a precise development plan—that this logic has been shelved, and rightly. There are historical and cultural factors, beyond politics and economics, that have led to the favoring of some nations. This is not, however, to deny that an Italian cooperative presence, however limited, will be maintained in the greatest possible number of developing countries.

[Question] How was it in fact decided to reduce the volume of aid to Africa from 67 percent to 45 percent?

[Answer] The countries of the sub-Saharan tier in any case retain their priority status, precisely on account of the gravity of their situations—for, example, Ethiopia, Somalia, Mozambique, Tanzania, for which use will be

made primarily of gifts. Yet the need was felt for a rebalancing in favor of other situations that deserve our support, especially in South America. Nations like Argentina and Peru need help more than ever to strengthen their young democracies and to overcome the debt crisis. We will provide credits primarily, as in certain areas of Asia as well, which—though very poor—show special capacity for recovery.

[Question] The OECD committee that submits donor countries to a kind of examination, while recognizing the considerable financial efforts our country has been making, criticizes bilateral aid that is too closely tied to the purchase of Italian products. Does the new law in any way limit this kind of sly charity?

[Answer] Yes, where it prescribes favoring suppliers in Third World countries. But the latter, precisely because they are poor, often have nothing to sell. On the other hand, the proportion allowed for financing outlays on labor and resources within the beneficiary countries—the so-called "local costs"—has been increased: until now they have gone to a maximum of 7 percent and they can go up to 25 percent.

[Question] Famine has struck again in Ethiopia. What has the Italian emergency program been like?

[Answer] The first elements of a 90-billion program got started on 26 January, two-thirds in foodstuffs, seeds and medicines, and the rest in logistical support, port improvements in Massaua, two 5,000-ton storage warehouses, 60 new trucks, and replacement in service of 200 other trucks already donated.

[Question] The new law prescribes a series of measures to guarantee control at every step in the aid process, but not a posteriori monitoring of the efficacy of our programs in real terms.

"That is true," concludes Raffaelli: "There is no accounting made of the impact of our aid. Unfortunately, the universities, probably the most appropriate places to do these studies and to do the theoretical work on the strategies that have been or should be adopted, are totally uninterested in the problem. Nevertheless, we are definitely going to have to determine how many lives Italy has saved, or rather for how many it has guaranteed a future."

13070/06662

NORWAY

Norsk Hydro Chief Aakvaag on Outlook for Natural Gas Industry

Aakvaag Criticizes Government's Policies

36390043 Oslo AFTENPOSTEN in Norwegian
3 Mar 88 p 3

[Interview with Torvild Aakvaag, administrative director of Norsk Hydro by Kjell Hanssen of AFTENPOSTEN: "Gas Is an Enormous Source of Growth"; date and place not given; first paragraph is AFTENPOSTEN introduction]

[Text] "The utilization of gas can support a renewal of Norwegian industry. Five years from now we can have a gas market in Norway. If industry comes up with a combined solution and says that we will do it, most of the impediments will disappear. There is too much politics and too little economics being considered when the government takes part in the decisionmaking. We must get better, and we must accept change."

These words were spoken to AFTENPOSTEN by the administrative director of Norsk Hydro, Torvild Aakvaag.

"Today's Norway can use the gas reserves for industrial revival, exactly as Norway used water power after the turn of the century. We sorely need such a stimulant for growth on the mainland."

It is no coincidence that the head of Norsk Hydro, the company which was founded in 1905 on air and running water, is today the one person in Norway who is the most concerned about the industrial possibilities of our enormous gas reserves. Torvild Aakvaag sees clear parallels:

"The water power had to be used in Norway because at that time it was not possible to transport it over long distances. The costs of transporting gas are also decisive. The Norwegian market has a geographic and therefore an economic advantage. In practice this advantage will be shared between the oil companies and the consumers. But a significant part of it will benefit Norwegian society. And in this advantage there is a stimulant to growth which must be utilized."

Renewal

People in Hydro believe that the most obvious next move is to construct a pipeline from the Karsto terminal which will fulfill the needs of the Ostland area and open up possibilities for export to Sweden. By the 1990's this Norwegian gas should make an impact on the Swedish market. Such a pipeline can be completed five years from now.

—But can we be sure that there will be a profitable Norwegian market?

"Such an investment cannot be made without somebody obligating himself to purchase the gas. Two cornerstones are required: a gas power plant and modification of Hydro's ammonia production on Heroya from liquid gas to natural gas. In addition there are major industries in Ostlandet which can gain economic and environmental advantages by using gas as a substitute for heavy oil. Some of these are Norcem, Borregard, Norske Skog and Union."

—What is really standing in the way of the realization of such plans, if they are interesting from a commercial standpoint?

"Actually, nothing. A pipeline over land will naturally require lengthy negotiations for rights, and so far we do not have a law aimed at solving this problem. But that should not be any formal obstacle to establishing a gas market."

—Are there no hidden subsidies involved in that?

"No, not at all. Quite the contrary, for this is of course the most profitable use of the gas. From an organizational standpoint I believe that a pipeline should be owned, entirely or mostly, by the companies affected. The means of transport must not be a monopoly, so that the transportation company will be obliged to make its transportation capacity available to all for a reasonable price."

Aakvaag is opposed to county and municipal power plants building up the gas market.

"I believe that the industries that we are talking about here do not need such an agency between themselves and the gas suppliers. Instead they need to build up a competent purchasing organization jointly. A county or municipal energy supplier for gas would just be a complicating factor."

Value Creating

—Therefore Norway has a new natural resource which can be utilized. But do we have the other qualifications for industrial development? Do we have the necessary manpower, is it well enough trained, do we have the organizational talent? Almost everything is going wrong in Norway today.

"The greatest problem," said Aakvaag, "is the appetite of the public sector for manpower, through both the national and the municipal budgets. While less than 24 percent are employed in public activity, over 40 percent of those who came into the labor market from 1986-87 are employed in the public sector. The public sector has 300,000 more employees now than early in the 70's. So who will create the value for the nation to live on?"

"Public sector employers are in a competitive situation in order to survive. The municipalities get their money from the state, and the state gets it from the taxpayers. This problem will continue to grow until we get an entirely different relationship with our public expenditures."

—But do we not also lack organizational capacity? We have gone through a sorry series of failed projects.

"Take Mongstad. The mistake was that it was primarily conducted as a political project."

"It was never a purely commercial investment. Political desires and ambitions played a central role. But industry cannot be run by political rules. The measure of success must be profitability and sound growth."

Aakvaag is also concerned about an employment policy which clings to the past. Readjustment in business must take place by something being set aside and something new taking its place, and by renewing where it is best for competitiveness and profitability. It is clear that there is development potential in rural Norway. But we must not tie ourselves to a structure of the past. Industry must change, have the possibility to change, be encouraged to change. Therefore he believes that it has been a mistake that the state has not put sufficient emphasis on profitability in the way it has used society's funds.

"And now we are encountering a new mistake, namely that all of society has grown accustomed to a scale of consumption for which there is no longer justification. We continue on the same course, but with borrowed funds."

Sweden in Front

It is just here that Aakvaag sees the greatest difference between Sweden and Norway. Swedish industry has greater breadth, longer traditions, greater international experience. Also the climate is more acute, firms have to rely upon themselves, and the environment is more receptive to change. The political environment as well.

—What changes in the fundamental conditions of Norwegian industry are most necessary today?

Crisis in the Schools

"The state must concentrate on the infrastructure: We have considerably higher transportation costs in Norwegian industry than our competitors abroad. Next, education: Here we require new thinking, the crisis in Norwegian schools is in the long run a threat against the country's ability to compete. We must raise the level, because it is the availability of competent and knowledgeable people which will be the decisive factor in the future. And we must have a thorough investigation of the entire public sector, of its effectiveness. In Great Britain today, firms which were formerly in a crisis, such as British Steel and British Rail, are now operating with a surplus, and are no longer considered inefficient. We must introduce into our system the idea that the basis for economic activity is the creation of value. The public sector must also have this objective."

Results Count

—The measure of success must be what comes out, not what goes in?

"Exactly. And that is steadily becoming more important. There is an aging trend in our society. As a result, constantly fewer people will be educating constantly more people. And if a constantly larger proportion of them go to work in the public sector, what happens to the value creation?"

Also, considering oil and gas activity, it worries Aakvaag that people are thinking too much about politics and too little about economics. Too many people are guided by a desire to establish positions for special organizations and districts. The governing criteria have been to occupy the high ground, even while doing things which are economically disadvantageous. But the only tenable guide is to select the solutions which are the best for the economy and have the least risk built in. This is especially important for the economy of our society, since the state now demands by far the greatest part of the risk in new projects.

Swedes Indicate Import Interest

36390043 Oslo AFTENPOSTEN in Norwegian
9 Mar 88 p 3

[Article by Geir Salvesen: "Swedes Showing Interest in Norwegian Natural Gas"; first paragraph is AFTENPOSTEN introduction]

[Text] Norwegian politicians are conducting a charm offensive in the Nordic Council in order to interest the other Nordic countries in energy cooperation wherein Norwegian natural gas will play a central role. And there is interest: "We have a very great interest in natural gas, it is compatible with the environment and it fits in with the phasing out of nuclear power which has been adopted in Sweden," said Karin Soder, former Swedish Center Party leader, to AFTENPOSTEN.

Svein Alsaker, Christian People's Party politician who usually sits on the Storting Industrial Committee, is one of the foremost "lobbyists" for Norwegian natural gas. He also supports a proposal for increased Nordic cooperation on natural gas which will probably be adopted during the negotiations tomorrow. Why has he chosen the Nordic Council as the forum for an offensive for Norwegian gas?

Negotiations

"If we are to build up a market for gas, political decisions are necessary. We are now in the negotiating phase, with the Swedes and others, and we can not conduct purely sales negotiations. It is too early, but this is a decision-making phase, and the politicians are here," said Alsaker to AFTENPOSTEN.

There are several factors which are important for future Norwegian gas sales. Denmark supplies its own gas today, but will probably convert its coalfired power plants to natural gas for environmental reasons. Then they will need more gas. Sweden is phasing out nuclear

power, and even though conservation will help some, a substitute is needed. And Norway can provide it with North Sea gas, said Alsaker.

He pointed out that the Russians are already negotiating for deliveries to Sweden, and already have contracts. But he does not believe that Sweden will count on getting its future energy supplies entirely from the Soviets. And that is where Norway comes in.

Competition

"It is important, however, that we arrange to compete in price. That is essential," said Alsaker.

AFTENPOSTEN asked Karin Soder, "Is it important to Sweden to have other gas suppliers besides the Soviet Union?"

"We strongly support Nordic gas cooperation, regardless of the part played by the Soviet Union. It involves Nordic industrial cooperation, and we want to give that priority. But it is of course also important to have different sources of supply," she said.

Also the Swedish minister of environment and energy, Birgitta Dahl, spoke to the Nordic Council about the great readjustments that confront Sweden in the energy sector.

"It involves, among other things, developing an energy system for the future without nuclear power, and with as little oil and coal as possible. And a message that the abandonment of nuclear power will begin in 1995 when the first reactor is done away with."

Industry Minister Comments

36390043 Oslo AFTENPOSTEN in Norwegian
15 Mar 88 p 40

[Article by Arve Hoff: "Norway and Sweden Should Cooperate on Gas"; first paragraph is AFTENPOSTEN introduction]

[Text] Stockholm, 14 March. It would be an admission of failure if Sweden and Norway did not succeed in "finding each other" on the natural gas question, agreed Minister of Industry Finn Kristensen and the Swedish Minister of Industry Thage Peterson.

At a press conference yesterday in connection with the annual industrial conference arranged by the Norwegian Trade Center in Stockholm, Petersen said that during negotiations with the Soviet Union over purchase of natural gas, Sweden emphasized that Norway is Sweden's natural partner.

Minister of Industry Kristensen hinted that there would almost have to be "mysterious reasons" to interfere with a Norwegian-Swedish gas agreement.

Too Expensive

Previously Kristensen maintained that neither Sweden nor Norway would "stand or fall" on this issue, and Petersen said that today natural gas "is not interesting pricewise."

Natural gas as a source of energy was not given a dominant role in the energy report which the Swedish government issued 1 and 1/2 weeks ago. The report primarily stated that the government intends to eliminate two of the 12 Swedish nuclear reactors in 1995 and 1996.

The government intends that the power shortage from the elimination of the two reactors will primarily be compensated for through a gigantic conservation and efficiency campaign, and only to a lesser degree by expanding new energy sources. But at Monday's press conference Thage G. Peterson said that if it is determined in 1990 that the conservation campaign is not giving such good results as expected, electricity production would have to be increased beyond that anticipated today.

09287

TURKEY

Business Fears Flight From Lira, Devaluation

35540112a Istanbul DUNYA in Turkish
29 Jan 88 pp 1, 10

[Text] Industrialists voiced their complaints concerning inflation and foreign currency at the General Assembly of the Istanbul Chamber of Industry (ISO). Unless the flight from Turkish lira is stopped it would be impossible to prevent inflation, they noted. Expectations of devaluation, instead of being quelled, are fuelled; and the way the banks are operating in foreign currency and imports transactions is reminiscent of the 1978 to 1979 period. The situation can no longer be explained as speculative activity by three or four banks. Effective measures should not be delayed, the industrialists added.

The Story of Dr Arsel

At the ISO General Assembly the main issue was inflation and developments in the foreign currency markets. When Nusret Arsel, Koch Holding executive and son-in-law of Vehbi Koch, announced that he had to pay 20 percent commission for travel currency, the delegates were surprised. Koch Holding happens to own a bank, and if Dr Arsel has to go through that "what should the rest of us do," the audience seemed to wonder.

ISO Executive Board Chairman Nurullah Gezgin referred to a research report analyzing 100 big firms, pointing out that the total profits of these firms came down from TL17 billion in 1979 to TL15 billion 887 million in 1986. The share of owned capital in these

firms is falling while foreign ownership is on the increase—from 59.2 percent in 1984 to 66.2 percent in 1986. The industrial sector, whose financial structure is thus eroded, can no longer think 2 years ahead let alone to the year 2000. Gezgin strongly urged that the flight from Turkish lira be stopped, saying: "As long as the return to Turkish lira is not secured, inflation cannot be prevented. No one wants to keep their savings in Turkish lira."

The Industrialists' Expectations

Gezgin noted that the industrialists expect certain things from the government which he outlined as follows:

- 1) The anticipation of inflation should be broken, as it had been done in the 1981 to 1982 period. That should be the first order of business for those managing the economy.
- 2) The flight from Turkish lira should be stopped. Turkish lira has lost about 25 percent of its value during a period of 27 days. No one will be prepared to keep his savings in Turkish lira. Certain initiatives are called for in this regard.
- 3) In 1988 inflation should be tackled very seriously. The public should be convinced of that.
- 4) Taxes should be widely and fairly distributed so as to have a sound budget.
- 5) Public expenditures should be balanced, and internal and external debts should be reduced. The SEEs producing primary raw materials should not ignore inflation targets in making price changes.
- 6) If we want to see inflation come down we should respect the government's measures even if they cause some pain.

Gezgin noted the difference between the industrial sector and the banks with regard to policy decisions. Even if new financial sources were to be found, inflation would depreciate those sources, and it would be the same situation in 3 years time. With 50-percent inflation foreign capital would shy away from Turkey. Gezgin went on:

"The foreign currency situation is unnerving. If Dr Arsel, executive of Koch Holding which controls a bank, has to pay 20 percent in commissions what are we expected to do? The banks' practices in 1988 are reminiscent of the 1978 and 1979 period. During that time, the policy was that of 'cook yourself and eat yourself.' This situation cannot be explained away as the speculative practices of three or four banks. In any case, the banking sector is 75 percent publicly owned. If the remaining 25 percent is more powerful than the government then something must be wrong somewhere. The

government made a big mistake in announcing its intentions to further liberalize the currency markets. Tahtakale [the currency black market] is continually on the rise. There has been a delay in taking measures."

Devaluation Fuelled

Gezgin urged that practices reminiscent of the 1978 to 1979 period should be terminated. Expectations of devaluation are being fuelled instead of quelled. The banks are playing a speculative game, Gezgin added.

ISO Assembly member Yavuz Dogan pointed out that Sekerbank [Sugarbank] had increased its profits 340 times in 8 years to TL34 billion, saying: "What did this bank do to earn that kind of money? How does it justify its profits if it has not made substantial contributions to sugar and beet production? It means that this bank is contributing toward inflation. Other banks are in a similar situation." Commenting that the banks are not paying their taxes up front, Dogan went on:

"It seems to me that the whole thing is out of control. The government is taking measures, implementing some and ignoring others. One wonders sometimes whether the government really intends to bring inflation down."

Shaban Chavushoghlu, also speaking, urged new injections of capital into industry, adding that family-owned companies should be made public. He also noted that high inflation deters foreign capital from coming to Turkey.

ISO Assembly Chairman Ibrahim Bodur stated the need for restoring the prestige of the national currency and national production. He also urged that saving should be instilled as a habit, pointing out that even dog food is being imported. We ought to make the leap from one age to another all together, Bodur said, adding:

"It is not enough for Tom, Dick and Harry to make that leap. We are justified in saying these things. It is difficult to provide hundreds of people with jobs at a time like this."

Bodur noted that investments in the manufacturing sector are on the decline. But, switching from liberal economic policies is inconceivable, Bodur declared.

ISO Assembly member Izzet Kuleli argued that with interest rates reaching 55 to 60 percent it would be foolish to think we can compete in export markets. Competitors are operating with 5 percent interest rates, and in some countries there are subsidies of up to 100 percent. Kuleli urged that exporting industrialists be given credit with a 5-percent interest rate.

TRNC Devalues Currency

35540120c Istanbul *TERCUMAN in Turkish*
27 Feb 88 p 10

[Text] The Central Bank of the Turkish Republic of Northern Cyprus [TRNC] devalued the Turkish lira by 5 percent against foreign currencies 2 days ago. It has been learned that the TRNC Central Bank implemented the 5-percent devaluation operation after it received a directive from Turkish Central Bank Governor Rusdu Saracoglu. TRNC Prime Minister Dervis Eroglu stated that the TRNC Central Bank devalued the Turkish currency by 5 percent with the purpose of boosting exports and foreign currency reserves and that the devaluation of the Turkish lira against foreign currencies will continue in the coming days.

Following its "5-percent devaluation" operation 2 days ago, the TRNC Central Bank set the selling rate for the dollar at 1,236.70 Turkish lira and that of the pound sterling at 2,196.49 Turkish lira. The TRNC Central Bank also announced that foreign exchange rates will henceforth be set on a "daily" basis. Stating that banks in Northern Cyprus began setting their foreign exchange rates on the basis of the Tahtakale [free market] rates after the Turkish lira became convertible in the TRNC, banking circles said that after the TRNC Central Bank's decision to devalue the Turkish currency by 5 percent, the discrepancy between the foreign exchange rates offered by the Central Bank and those offered by the commercial banks dropped from 10 percent to 5 percent. The banking circles added that the discrepancy between the foreign exchange rates offered by the Central Bank and the commercial banks will decline even further when the daily rate adjustment system begins to be implemented.

Meanwhile, the TRNC Chamber of Commerce declared that it will break its dialogue with the government charging that the devaluation of the Turkish currency by 5 percent in the TRNC will lead to higher prices in the domestic market. In response, TRNC Prime Minister Dervis Eroglu said that his government always wishes to continue its dialogue with the businessmen and continued: "The devaluation that has been implemented will not raise domestic prices. Because a 5-percent devaluation will have only a 1/2 of 1-percent effect on the price of imported goods. Consequently, the opposition of the TRNC Chamber of Commerce is unreasonable. The Turkish lira will be devalued even more in the coming days to boost exports and foreign currency reserves."

Interest Rates To Rise

Eroglu also disclosed that interest rates on bank deposits will be increased as a measure to complement the devaluation of the Turkish lira. Stating that large amounts of savings began to flow from the TRNC to Turkey after interest rates on savings were increased in Turkey, Eroglu said that interest rates in the TRNC—currently 40 percent—will be increased to levels that more closely

match interest rates in Turkey. Asked whether "there would a flight of foreign currency from Turkey to the TRNC when the Turkish lira is devalued," Eroglu replied: "I do not know that, but there has always been an interflow of Turkish currency between Turkey and the TRNC."

9588

Editorial Confirms Open Economy To Solve Currency Crisis

35540112b Istanbul *TERCUMAN in Turkish*
29 Jan 88 pp 1, 11

[Editorial by Taha Akyol]

[Text] No one can blame the industrialists for making hard-edged remarks at the Istanbul Chamber of Industry (ISO) meetings. Responsible for 80 percent of our export revenues, adding up to \$8 billion, the industrialists are complaining of not being able to find foreign currency for the importation of essential raw materials and intermediate goods.

Some banks are operating as if they were "Tahtakale" [the unofficial market in foreign currencies], dabbling in currency speculation. They are implementing a 25-percent de facto devaluation under the name of "commission." While "finance capital" is getting fat through speculation, high interest rates, and foreign exchange transactions, "industrial capital" is being eroded by inflation. When we look at this unnerving picture from the perspective of the ordinary man, we see millions of people, constituting the middle classes, under a crossfire.

Re-directing our focus to the outside, to Davos, we see a world where the United States runs a \$150 billion trade deficit, and Japan has become an economic giant with its \$100 billion surplus. We also see that a representative of the Japanese firm Nikko, Mr Shirakawa, flies into Switzerland for a few hours to talk to Ozal. The Japanese want to market Turkish stocks and shares in foreign markets, and to make investments in Turkey.

Other Developments

The prominent arms manufacturer, Oerlikon, proposes a joint venture to Ozal. Swiss businessmen present a detailed proposal to Ozal, knowing that Turkey is to buy 2.5 billion cubic meters of natural gas from Russia this year, and the figure will rise to 6 billion in 1992. Seventy percent of the cost of the natural gas is to be paid in goods. The Swiss propose a joint venture with Turkey to sell goods to the Russians.

The question arises: If Turkey had been heading toward bankruptcy, would these giant firms (who have demonstrated their competence by gross revenues running into billions of dollars) propose billions of dollars of investment in Turkey?

Despite the foreign currency alarms inside Turkey, when we look outside we see our debt discounted at 97 cents on the dollar. A merchant heading for bankruptcy does not have his TL100 bond discounted at TL97. When legitimate complaints inside are set in contrast to the optimistic picture abroad we see another indication of the critical transitional period—or what Ozal refers to as “walking on a knife’s edge.”

Turkey—its culture, its economy—is indeed on a knife’s edge. The Turkish economy, its industrial structure and pervasive mentality, is more attuned to domestic markets. Now that the economy is opening up to the outside world it has to go through very trying ordeals. In a world where exports total \$2.5 trillion Turkey’s \$10 billion is next to nothing. Yet, the Turkish economy is paying the costly price of increasing that share.

In the short term, there are tough problems, serious risks, and justified anxieties. The public experiences that in the kitchen, the artisan at his shop, the businessman at his factory, the politician within the tense social environment. If inflation continues to erode the finances of the firms and reduce the size of the bread on the kitchen table; if interest rates continue eating away the operational funds; and if currency markets continue their present erratic behavior, the knife on which we are walking may well slice the Turkish economy into pieces, and we would go back to square one—to the circumstances of 1979.

If, however, the economy is stabilized within 2 to 3 years, and inflation brought down, interest rates lowered, with industry getting cheaper financing, then Turkey might get off the knife’s edge and start enjoying the comfortable feeling of an exports-led growth, as our share of world trade increases. The foreign confidence in our economy, despite serious problems at home, indicates that our hopes are realistic.

The target which we should not lose sight of seems to be this: Turkey, having reached the limits of its capital and natural resources, must follow policies that would increase its share of the world economy without provoking an internal crisis. In other words, a sound open economy...

12466/12223

Business Rebels Against New Economic Package
35540120b Istanbul GUNAYDIN in Turkish
27 Feb 88 p 7

[Report by Meral Cakir]

[Text] At yesterday’s assembly meeting of the Aegean Region Chamber of Industry it was evident that the industrialists have declared rebellion against the government’s economic policy.

All the industrialists who spoke at the meeting agreed that coordinated action must be taken to resist the 4 February decisions and to put the government on the right track. Most of the industrialists supported the idea of not paying interest on loans as a form of protest.

Stating that the government has rewarded exporters and pushed industrialists into desperation, the President of the Chamber, Ersin Faralyali said: “We are not after cheap money; we only want credit at reasonable cost. [The interest rate on credit] cannot be more than 5 or 10 percentage points above the inflation rate. But it cannot be 130 percent. Otherwise, it will be impossible to pay the interest on credit.”

Faralyali continued:

“We must keep the interest rate issue on the front burner. No light was shed on this issue at the Economic Forum-88 meeting where we were told about the government’s program. In fact, Central Bank Governor Rusdu Saracoglu chided us for ‘pursuing cheap money.’ We are not after cheap money; we only want credit at a reasonable cost. [The interest rate on credit] cannot be more than 5 or 10 percentage points above the inflation rate. It cannot be more than 50 to 60 percentage points above the inflation rate. If inflation is expected to run at 35 percent this year, then the interest rate on credit could be 45 percent, not 130 percent. Otherwise, it will be truly impossible to pay the interest on credit. Now we must put our hats on the table, and we must think well. It is said that 1988 and 1989 will be years of recovery and consolidation, but we must not tolerate unfairness against the industrialists for that reason. The government has been saying: ‘Open up to the people. Strengthen your capital position. Find foreign partners. Get smaller or use less credit. Divest yourselves of your unneeded assets.’ It is not easy to comply with these suggestions. We say, as the Aegean Region Chamber of Industry, that a selective credit system must be urgently adopted in order to escape this vicious circle. We will make the necessary representations to the government to this effect.”

Speaking after Faralyali, several industrialists sharply criticized the high interest rate policy on credit and said in brief:

Ertugrul Doguc: “Industrialists have today become the most mistreated group. We want the industrialists to be in a position where they can build their villas rather than to have to sell them. That is why our chamber must be one that seeks its rights. I hope that the administrative council will maintain its posture of defending the industrialist.”

Omer Bese: “The president of the chamber should have spoken with a harsher tone. I find the idea of not paying interest on credit inappropriate. On the other hand, we

must not make any concessions. We are a powerful chamber. I would have liked to see the president speak more forcefully from this podium. We must take more forceful postures."

Cengiz Hakan: "Getting smaller means stagnation, and stagnation means death. One may be born small but one may grow. A small or shrinking economy dies. We will grow no matter how much the government insists that we should get smaller. I support the stand we are taking on this issue. The threat of not paying interest on credit would also worry the banks. I support it. What can one expect from an economy whose basic materials go up 120 percent in price? The economy is entering a dead end. Payments have begun faltering. How will the unemployment problem be solved if we get smaller in a country which cannot find jobs for people who are currently working? I see the government's current policy as an ostrich policy. The government has begun acting like an ostrich to avoid seeing some problems. Ostriches bury their heads in the sand to avoid seeing problems and shiver when they see danger approaching. Nothing can be resolved by saying that everything is alright. They have said that they will cut interest rates on credit later on. In today's circumstances they cannot cut interest rates; at best they can free them. I wonder what the reaction would be if these events had occurred in another country."

Teoman Baykam: "The industrialist has been put on the back burner since 24 January [1980]. We cannot explain that, and I have no explanation for why this is so. High interest rates will hurt many companies. Even worse, these are only the first steps; more will follow later. We will live through another 5 years filled with undesirable conditions which may put Turkey off balance. This situation will not improve with the foreign currency the tourists will bring in June and July. The economy cannot be governed simply by generating formulas."

Mehmet Soyer: "We have remained silent until now and chosen to wait and see. I support the proposal of not paying the interest on credit. I wish that that stand had been taken through a decision in our assembly from the outset. I wish that we could have decided a better policy. I support this stand. We must create a real consensus by adopting new strategies. The Turkish nation has become an apathetic nation. We are committed to owning up to our debts, but what is important here is a show of dissatisfaction. In law, there is a relationship between crime and punishment. The punishment is commensurate with the magnitude of the crime. The use of force upsets the game. It has been said that eventually nobody will pay these interest rates. After 8 years of this program, the desired improvements have not yet been realized. The years 1988 and 1989 will be difficult years for the industrialists. If we start getting smaller, the factories will shrink, and unemployment will increase. Turkey has been governed without plans for quite some time."

Atil Akkan: "Strange things are happening in the government's incentive premium program. It is the government, not just the industrialist, who needs money. Our biggest competitor is the government. Who would want buy our stock shares? But even I would buy the stock shares of state-owned corporations whose products undergo price hikes every day. The PTT [Post, Telephone and Telegraph Administration] reportedly made a profit of 17 billion Turkish lira. Who paid for it? The people, that is who. The PTT's stock will obviously pay dividends; but that is paid by the citizen who uses the telephone. The government needs money. How will the banks get the money? Phony exports are being made with the knowledge of the government; the biggest example of that is in textile export quotas.

"The money going to special funds is automatically reflected in inflation. The money accumulated in funds—denominated in foreign currency—increases as the value of the dollar goes up. We have seen so many governments. The factories worked even during the black market period. This period will also pass."

Employers Follow Workers

Commenting on the rebellion of the industrialists, economists said: "The screams of the employer sector against the government, following on the footsteps of Turk-Is [Turkish Confederation of Labor] is not a good omen. The economy is being run very poorly. We are not on a propitious course."

9588

Delays Raise Cost of Dam-Building Projects

35540120a Ankara YANKI in Turkish 17 Jan 88 p 25

[Text] The old proverb, "do not postpone today's work until tomorrow," rings vividly true for our public projects. As the delays get longer, the costs mount and constitute a growing burden on the economy.

The investment costs of all large projects in the public sector have risen substantially because of delays in completing them. The Southeast Anatolia Project [SAP] accounts for the largest share of these cost increases. The delay in the completion date of SAP has now made it the top economic back-breaker. Being at the top is often considered as a good thing, but the economy which sits at the bottom of the winners' stand does not seem too pleased with the new burdens it is saddled with every passing day.

The "important projects" report of the State Planning Organization [SPO] notes these developments. According to the report, the completion dates of most of the projects have been delayed by more than 5 years, and the additional cost of these delays to the economy totals 8 trillion Turkish lira.

According to a study conducted by the SPO on 130 public projects, the completion dates of 53 of these projects will be delayed by at least 5 years. Expenditures on these 53 projects grew substantially because of the delays and inaccuracies in the feasibility studies. The total investment cost of the projects grew from the initial estimate of 107 billion Turkish lira to 8 trillion Turkish lira (in 1987 prices), representing an increase of 7,500 percent.

It has been determined that the largest proportional cost increase occurred in the Erzincan 2d Phase Project. Initially estimated to cost 16 million Turkish lira, this project is now estimated to cost 37.5 billion Turkish lira, representing a 2,343-fold increase. The projects that are ranked second and third in these terms are the Mene-men-Aliaga Two-Line Railway Project and the Karakaya Dam project, respectively. In terms of the absolute size of cost increases, the 1st Phase of SAP takes first place. Initially estimated to cost 2.465 billion Turkish, this project is now estimated to cost 1.535 trillion Turkish lira in 1987 prices.

An examination of the cost increases due to delays indicates that those increases may total 10 trillion Turkish lira by 1988. But these figures are not the only record highs; there are others.

Other Record Highs

Among the 130 projects the SPO considers important and has studied, the Igdır Project has won the title of "oldest project." The Igdır Project, which will irrigate 42,000 hectares of land in plains of Eastern Igdır and Dil

using the waters of the Aras river, was included in the government's investment program in 1952. Although 36 years have elapsed since then the Igdır Project is still not complete. The earliest expected date of completion is 1991.

Meanwhile, the Ministry of Industry and Trade has identified 109 investment projects whose construction was begun years ago but which have not been completed or which have not been put into use after completion. Studies conducted on these 109 projects show that 55,000 people invested in these projects with great hopes. Now those 55,000 investors are anxiously awaiting the completion of these half-finished or unutilized projects.

The half-finished projects and the provinces where they are located are enumerated as follows:

Nine in Bursa; 8 in Erzurum; 6 in Gaziantep; 5 in Canakkale; 4 in each of Konya and Kayseri; 3 in each of Balıkesir, Bingöl, Diyarbakir, İzmir and Kars; 1 in each of Amasya, Burdur, Elazığ, Erzincan, Kahramanmaraş, Mus, Niğde and Ordu; and 2 in each of Afyon, Bilecik, Çankırı, Eskişehir, Aydın, Giresun, Hatay, Kocaeli, Mardin and Nevşehir.

It has been learned that Minister of State Yusuf Özal, Prime Minister Turgut Özal's brother, has issued instructions to "expedite the construction of half-finished projects."

9588

NORWAY

Continued Depopulation of North Worsens Economic Problems

36390044 Oslo AFTENPOSTEN in Norwegian
9 Mar 88 p 13

[Article by Helge Seip: "Serious Situation in North"]

[Text] A new distress signal has been sounded over depopulation in northern Norway. Norwegian television has reported problems at sea and fishing boats on the auction block. Can things really be so bad, since we know that the region has only 1 percent fewer inhabitants today than it did 10 years ago?

In Finnmark, 11 of 20 municipalities have lost between one-tenth and one-fifth of their population. In 8 of these 11, there are over 15 percent fewer people now than in 1978. Only the Alta area has shown true growth.

Even though Sorøysund alone has grown, the Hammerfest area taken as a whole has suffered a clear loss of population.

Troms also has four municipalities that have lost people for each one that has increased its population. One-third of those that have gone down in population have lost over 10 percent of their people in 10 years. Tromsø and Harstad make up for the losses elsewhere in Troms.

Population in municipalities of North Norway 1 Jan 87 and 1 Jan 88

	Increase	Decrease	Those with over 10 percent decrease
Finnmark	4	16	11
Troms	5	20	7
Nordland	13	32	8
Total	22	68	26

Should those who live in the south really worry about the problems of northern Norway when the latest study on population changes showed a drop of only about 700 people in 1987 for the three counties combined? Troms even showed an increase in population.

Unfortunately, the situation is much more serious than figures of this type seem to indicate. Population patterns and trends in the north are beginning to become a problem for Norway as a nation. It is a question that touches all of us—a problem that has human, economic, and political aspects in the broadest sense.

Drastic Changes

In order to see what has been happening for some time in northern Norway, we must look at the changes that have occurred within the region and in the individual municipalities. Let us look at the population figures for 1 January 1978 and 1 January 1988.

We see that over three-fourths of the municipalities in northern Norway have fewer inhabitants today than they did 10 years ago. In almost 30 percent of the municipalities, the drop in population is over 10 percent, with the worst figures in Vardo with 22.1 percent and Nordkapp-Masoy with 21.3 percent. The change in boundary between the latter two makes a direct comparison somewhat difficult. Masoy has probably been hardest hit.

Almost 70 percent of the municipalities in Nordland have also declined in population. One-fourth of these have lost over 10 percent of their people during this period. Rost and Flakstad have lost one-sixth of their population—in just 10 years!

Solidarity

As we see, some drastic changes have taken place in northern Norway during a single decade. We have no simple explanations for or patent solutions to these problems. The picture of what has happened with the population on the municipal level indicates the breadth and depth of the process.

We must now ask Norway as a whole if we can defend allowing this trend to continue. Some of the events that have occurred will also have long-term effects, particularly since it is the young who are moving away. The composition of the population by age will be altered. Those who remain will be less dynamic and less able to adapt. These are problems that will affect the entire structure of society in the future. It will require much more than changes in the tax structure to correct the situation, even though tax reforms must be part of the package solutions that must be implemented in order to secure the future population of the north.

09336

TURKEY

'Super Retirement' Called Unfair, Social Security Dilemma

35540111 Istanbul *MILLIYET* in Turkish
23 Jan 88 p 11

[Article by Dr Mujdat Shakar, lecturer at Marmara University]

[Text] Law No. 3395, introducing changes in social security legislation, has been presented to the public as the so-called Super Pensions Law. And as such it has led as many as 2.5 million social security recipients and close to 1 million retirees to weave sweet dreams. Yet, it also appears that the legislation is favorable only to those who are paid at the highest grades, thus creating a fairness issue.

Two Instances

First, there is the case where only those retired, or applied for retirement, before 9 July 1987 at the highest grade, 1400, are allowed to benefit from "super pensions." Those with grades lower than 1400 say 1395, and those retiring after 9 July 1987 are denied entitlement. Thus, while the first group can get a pension of TL410,320 those stuck at 1395 are entitled to merely TL131,526. (In both instances the retirees are assumed as receiving 70 percent of their regular salaries.)

Secondly, an entitlement to borrow is not sufficient in itself. The retiree would have to pay between TL252,000 and TL4.2 million in premiums. Those paying the premiums between 1 and 31 January 1988 (deadline for applications) would have to pay an amount varying between TL302,400 and TL5.04 million, due to the multiplier going up from 70 to 84. A retiree (receiving 70 percent of his pay) would normally get TL135,320. But, if he manages, somewhat miraculously, to pay the premiums (after meeting his regular living expenses) he would immediately be entitled to a TL410,320 pension.

Two Classes of Retirees

The main criterion in all this has been the 1400 grade. The retirees are expected to have worked at that grade for the past 5 years. If, for any reasons (due to illness or strikes) the premiums have not been paid, and the retiree has had his grade fall to 1395, he is in for a hard time. And, the status of those receiving their pensions on the basis of other legislation has not been improved in any way, thus creating two classes of retirees.

What this legislation means is that those paying "super" premiums, at the highest grade for many years, would be eligible to receive "super pensions." However, those with more than 5 years to go before retirement on 9 July 1987 (when Law No. 3395 came into effect) are going to have their pensions calculated on the basis of their working years after 9 July 1987. This means that the principle of using the average of the last 5 years has been abandoned. For instance, someone whose retirement was 10 years away on 9 July 1987 would receive his pension on the basis of the average of those 10 years. Thus, unless he has been paying "super premiums" throughout this period (10 years), what he receives will be "super" in name only.

An Unpleasant Surprise

The "Super Pensions Law" is an unpleasant surprise for those retiring in 1988 as well. They may have paid the highest premiums for the last 5 years and their grade could be 2050. Yet they would be entitled to a pension lower than a regular 1400 grade pension. The reason being that super pensions are calculated on a 50 percent, not 60 percent basis. Furthermore, super pensioners receive TL34,000 as social assistance subsidy, not the regular TL53,000. Thus, the super pension of someone retiring in 1988 would be $TL120,100 = (2050 \times 80 \times 0.50 + 34,000)$, while the regular pension is $TL123,560 = (1400 \times 84 \times 0.60 + 53,000)$, which means that despite the super premiums the pensioner is worse off. There is a proviso, though, that if the super pension falls below the working pay, the pensioner will be automatically paid a regular 1400 grade salary. In such an instance, the pensioner would have paid the super premiums in vain. Thus, for those paying super premiums, it would be better not to retire in 1988.

Conclusion

The current venture into "super pensions" merely creates a privileged few, complicating matters even further with varying percentages and social assistance subsidies. And, that is being done instead of increasing the multiplier for every grade and degree, thus bringing pensions up to an adequate level for everybody, or at least making the provisions of the present legislation apply to all pensioners from first grade down. If the Social Security Board (SSB) is unable to carry such a financial burden, as claimed by some, then it should be asked why the financial support extended to State Pensions Fund (SPF) is not extended to SSB as well. Social security is a constitutional right and the state has a duty to provide it. The state belongs to everyone, not only to those covered by SPF. In this confusion, the BAG-KUR people, the perennial stepchildren, are totally forgotten. Their situation will be the focus of another article.

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